

**STRATEGIC RESPONSES ADAPTED BY DAVIS & SHIRTLIFF IN THE
CHANGING ENVIRONMENT IN KENYA**

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of the degree of Master of Business Administration (MBA), School of Business,
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Declaration

Declaration by Candidate

This is to certify that this Research project is my original work and has not been presented for a degree in any other university or Institution of higher learning.

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D61/70109/2008

Signature.....

Date.....

Declaration by Supervisor

This research project has been submitted for examination with my approval as the University Supervisor.

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Date.....

Dedication

To my loving fiancée, and mother who have patiently endured and supported me all through during the long period it has taken me to complete this project. I thank God for each one of you.

Acknowledgements

I give God Almighty all the glory and honor for without his help I would not have made it this far. I would like also to thank Dr. Zachary Awino, my supervisor for his guidance, encouragement and patience throughout the period of this project. His timely and critical review of this report played a significant role in its completion. My gratitude too goes to my fellow students and colleagues who gave me their support and guidance.

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Abstract

Organization responses to the environment often involve change. For change to be successful it has to link the strategic, operational aspects of the organizations. Strategic responses can be seen as matching of the activities of an organization to the environment in which it operates. A strategic response affects the long term direction of the organization and requires large amounts of resources. It is aimed at achieving advantage for the organization and as such it is concerned with the scope of the entire organization activities. The study used qualitative and quantitative approaches and utilizing the descriptive survey design to collect the information data was collected by use of a semi-structured questionnaire and review of secondary data. The survey targeted eight managers in their respective branches and eight managers in the head office. 14 managers responded representing a response rate of 88%. Majority of the respondents in regards to the changing environment perceived industrial factors as the most challenging external environmental factors with a mean of 11 and the external factor perceived to least affect the company was social environmental factors with a mean of 8. Pricing and Government funding as elements of customers tastes and preferences and Political/legal environment were found to be the most influential external environmental factors with a mean scores of 13 and 12.5 respectively compared to the least influential element of population growth and threat of substitute products each with a mean score of 6.25. The study also established that only 29% of the respondents did not actively participate in formulation of response strategies adapted by Davis & Shirliff, but were involved in the implementation of the organizations strategic plan. 90% of those that were not involved in the strategy formulation indicated that they would be more effective if they were involved during the process. It was also established that 84% of the managers concur that Davis & Shirliff adopts a reactive response to changes in the external environment rather than being proactive in the development of such response strategies. It can be concluded that there has been a number of environmental changes which have adversely affected Davis & Shirliff. To deal with these changes, the firm has laid out response strategies to counter the effects. Some of these have been entrenched in the strategic paper prepared by commercial director and rolled out in 2009 while the rest were implemented continually over the years as reactive response to these changes.

Key words:- Strategic responses, Adapted, Davis & Shirliff, Changing Environment, and Kenya.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Business firms are open systems that affect and are affected by external conditions largely beyond their control (Pearce & Robinson, 1997). The business environment is rapidly changing making it imperative for organizations to continually adapt their activities in order to succeed. To survive in a dynamic environment their strategies need to be focused on their customers and deal with the emerging environmental changes necessary in the environment they are serving (Ansoff, 1987). A strategy is a pattern or plan that integrates an organization's major goal, policies and action sequences into a cohesive whole (Porter, 1980). A firm usually follows a strategy that is intended to create a competitive advantage in the market place which according to Ansoff and Mc Donnell (1990) is a set of decision making rules for guidance of organization behavior. In order to be able to retain competitive advantage, organizations need to examine both their internal and external environment and respond accordingly (Porter, 1985).

Environmental developments such as liberalization and globalization have intensified competition in the local market which has led to strategic management which is concerned with deciding on a strategy and planning how the strategy is to be put into effect through strategic analysis, strategic choice, strategic implementation and control (Johnson & Scholes, 1993). The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and overcome weakness. According to Fred (1996), a large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that do not. The strategic management processes whether in multinational companies is conceptually the same as in purely domestic companies that do business within the national boundaries in which they are located.

1.1.1 Strategic responses and the business environment

Business environment can be relatively stable or turbulent and each level of turbulence has different characteristics and requires different strategic match. The strategies in turn have to be matched by appropriate organizational capacity for survival, growth and development. (Ansoff & Mc Donnel,1990). Business Week, Reinventing America (1992), states that, “In a fast paced global economy, change can not be an occasional episode in the life of a corporation. Companies with rigid structures will be swept away. Corporate cultures that can adapt will survive and thrive.” Change is the only constant in today’s life for individuals and organizations and according to Strickland (1998), managers have ever pressed responsibility for detecting when new developments require strategic responses and when they don’t. It’s their job to track progress, spot problems early and monitor the winds of market and customer changes and initiative adjustments.

Strategic management is not a task, but a rather a set of managerial skills that should be used throughout the organization, in a wide variety of functions. Kurt Lewin’s (1890-1947) exploration involved verifying the need for change, and acquiring any specific resources (such as expertise) necessary for the change to go ahead. Planning is an activity involving key decision makers and technical experts. A diagnosis is completed and actions are sequenced in a change plan. The plan is signed off by management before moving into the action phase. Actions are completed according to plan, with feedback mechanisms which allow some preplanning if things go off track. The final integration phase is started once the change plan has been fully actioned. Integration involves aligning the change with other areas in the organization, and formalizing them in some way via established mechanisms such as policies, rewards and company updates (Bullock and Batten, 1985)

There is no doubt that blue chip companies are considered successful or top performers. These companies in Kenya include East African Breweries (EABL) Kenya Airways, Nation Media Group (NMG), Safaricom Limited and Barclays Bank Kenya among others. These companies consequently have applied various strategies that other companies have failed to apply. These strategies have encompassed change. The forces of change are frequently the result of some external forces such as increased competition, new legislation or customer expectations (Senior, 1997). All these changes have contributed to increased competition, performance and overall increase of their respective

share prices. This has been as a result of investing in technology, employees, re-engineering, restructuring and utilization of other resources in their operations in order to be competitive. Consequently in the new competitive Kenyan environment, inefficient and uncompetitive firms cannot survive hence changes and new dynamics in the way organizations are managed and run are inevitable in order to ensure that organizations maintain a sustainable competitive edge.

1.1.2 Water Equipment Supply Industry in Kenya

There are 32 water equipment supplies companies in Kenya. Their business activities are focused on four principal market or product sectors - water pumps, water treatment, swimming pools and renewable energy products. The major players in this industry include Borehole drillers; Biselex (K) Ltd, Sparr Drilling (K) Ltd, Agro Irrigation (K) Ltd, Water pumps suppliers; Rift Valley Machinery Ltd, Maji-Tech Solutions Ltd, Amiran (K) Ltd, Switch Gear & Controls Ltd and First machinery. In the renewable energy section major players are Chloride Exide (K) Ltd, Solar world Ltd, Solartech Ltd., Go-solar systems Ltd. In the water treatment section major players include Aquapure supplies Ltd, Aquachem Ltd, Ivory consult Ltd. Swimming pools also have a share of players including Poolshop E.A Ltd, In the swim Ltd, Swim Planet Ltd and Qua Water Ltd.

Within this industry players have different strategies for survival and competition. Some of these firms have branches across the country and even in East Africa, while others have specialized assembling plants, well-resourced repair workshops, mobile service teams, comprehensive spare parts stocks and training facilities. Notably in some cases some decide to concentrate on the supply chain function of water equipment alone. In the past two years the overview performance of Water Equipment supply enterprises in Kenya have been in the decline and unstable. This can be attributed to the Global recession encountered one year ago, the increased competition from Chinese imports that are cheap hence bring the product prices down and finally the adverse prolonged rains in the last nine months that has reduced demand for pumps significantly. This has attracted the same manufactures supplying the equipment to set up base in Kenya all due to the promising fast growth, recession in their countries and threat of the Chinese involvement in this market. Some of those include Grundfos (K) Ltd and Shakti Pumps Ltd, others expected in future are KSB Ltd, Flygt Ltd and Pedrollo Ltd.

1.1.3 Davis & Shirliff Ltd.

Davis and Shirliff Ltd (D&S) was founded in 1946 by partners E.C Davis and F.R Shirliff with original office was in Westlands in Nairobi. In 1955, nine years after Davis & Shirliff Ltd was established, the offices moved from Westlands to their current location on Dunduri road in Nairobi's Industrial area. The company grew rapidly by providing water supply installations to the then burgeoning Kenyan economy. The company is founded on the design and installation of water supply equipment and maintenance. It began importing pumps in 1965 (D&S Newsletter, April 2006). The first were from Grundfos Ltd in Denmark and Flygt Company in Sweden. Other suppliers include Davey and KSB Ajax of Australia, and Pedrollo/Linz of Italy. Latest addition to the list of suppliers is Yanmar, (D&S Newsletter April 2008). "Dayliff" new branded equipment developed in Taiwan are the latest price competitive products in the market that the organization has adopted as its own brand and introducing to the market.

The company has diversified its activities from just distributing water pumps to the distribution of water treatment equipment, swimming pools equipment and renewable energy products. The company has also expanded the distribution of its product in Kenya to the sub-Saharan region. Effective distribution is vital if a large market share is to be achieved (D&S, Company plan 2008). To accomplish this, the company has opened branches in Mombasa, Eldoret, Kisumu, Nakuru and Westlands and opened pump centers in many major towns in Kenya to ensure that local distribution is efficient and timely. The company has also opened subsidiaries in Uganda (Kampala), Tanzania (Dar-es-Salam, Arusha, Zanzibar and Mwanza), Rwanda (Kigali), and Ethiopia (Addis Ababa) The newest addition is trading activities in Sudan. It is this network of branches and subsidiaries that has seen Davis & Shirliff Ltd become a market leader in the distribution industry and is a nine time winner of the Company of the Year Award (Marketing Africa, 2008). Davis & Shirliff mission is to be a world class quality organization through the highest levels of corporate standards and professionalism. The commitment is to offer a comprehensive and competitive product range with regional availability and unrivaled technical support. The company recognizes that the provision of efficient water supplies is essential for the region's economic development and is committed to playing a major role in this vital industry (www.dayliff.com).

The company has been consistently successful over many years. The fundamental reason for this has been the evolution and pursuit of a consistent strategy that has been widely communicated and effectively applied. (*www.dayliff.com*). The company's key strengths are the wide product ranges and supply chain both of which are made possible through scale. These include: a wide range of water pumps, water pumps spares, water pump accessories, water pump repair department, water treatment plants, chemicals and equipment, borehole pumps and maintenance services, solar products and installation services and a pool departments that offer pool related products (*www.dayliff.com*). The company has retail and wholesale departments all under one roof, making it one of a kind in the distribution of water related products in Kenya. Currently, it is the only company that distributes this whole range of products, while each competitor only distributes a few of the product range offered by Davis and Shirliff. The company has a large warehouse which ensures that there is sufficient stock to meet its market across the borders. In deed it has stock of over KShs 400Million at any one time (D&S Company plan, 2009).

1.2 Statement of the Problem

Today's organizations engaging in businesses have to contend with the dynamics of a changing competitive environment that they depend on for survival. They have to understand requirements of the environment and adapt, failure to do this will give rise to a serious strategic problem characterized by maladjustment of organizations output on the demand of the external environment (Ansoff, 1984). Ansoff further brings out the need to evaluate the turbulence in the environment. High performing firms create strategies which are used to manage strategic repositioning in times of changes in their environment as advanced by Covin and Slevin (1989). Firms in dynamic industries respond to competitive forces in different ways. Responses can be strategic or operational by nature and in order to achieve competitive advantage, strategic decisions need to focus on unique activities. Strategic responses may involve changes in products and markets, collaboration, diversification and even divesture (Porter, 2006) Davis & Shirliff Ltd has been in the water equipment distribution industry for over 60 years. It is one of the most successful firms in the region. The organization has based its competitive advantage by having the widest range of water related products and the largest distribution network both in Kenya and the sub-Saharan region. The industry environment has continued to change more so given the fact that there is a good deal of upcoming local competition and international firms who have now established themselves in Kenya to compete for the same market.

Various studies have been done on how organizations have responded to the changes in the environment. Examples include, in the Dairy industry in Kenya (Bett, 1995); Motor industry in Kenya (Kombo, 1997); the Oil industry in Kenya (Chepkwony, 2001); Brewing industry in Kenya (Njau, 2000); Barclays bank of Kenya (Jebiwott, 2008); Nzoia Sugar (Mohammed, 2007) and Davis & Shirliff (Gitau, 2009). Environmental factors that were found to affect each of the surveyed industry include economic, technological, social cultural, political and legal factors. Globalization and liberalization of the markets also contributed to the environmental factors. Gitau (2009), is the closest study ever done on the organization which aimed at finding out the challenges of regional expansion faced by Davis and Shirliff and the company's strategic response to these challenges. According to Gitau (2009), the challenges the organization faced in its subsidiaries were tough expatriate labor policies, legal complexities, high staff turn over, low labor quality, tough tax laws, and low levels of disposable income and low pace of economic development. Further, strategic

responses adopted by the organization included training and development of staff to raise the quality of labor and abiding by the laws and regulations of each country. The organization also resulted to hiring top management from Kenya a position made difficult by the tough expatriate labor laws.

These findings represented some of the competitive responses adopted by the organization in order to adapt to the changing business environment. Since Davis & Shirliff was founded and is based in Kenya since 1946, this study sort to establish other responses that the organization had adapted due to the changing business environment to remain competitive in the regional market. Davis & Shirliff has been viewed by any as a market leader in water equipment distribution sector and has grown enormously over the years. The gap in knowledge that this study was the attempt to find out whether the strategic responses adapted by Davis & Shirliff contributed to the success of the company and whether there were similarities with findings from other similar studies in other industries. This led to the following research question: How has Davis & Shirliff adapted to the changing business environment in Kenya?

1.3 Objective of the Study

The objectives of this study were;

1. To determine the environmental changes in Kenya that affected Davis & Shirliff.
2. To determine the strategic responses adapted by Davis & Shirliff Ltd. in the changing environment in Kenya.

1.4 Value of strategic responses adapted in the changing environment

The study contributed to the understanding of how the changing business environment has over the years affected Davis and Shirliff and what strategies have been adopted to ensure that it maintained its competitive advantage in the market. The study also aided various stakeholders including the management of Davis & Shirliff to obtain in details the responses to challenges posed by the changing business environment and provide justification on the success or failure. The academicians and researchers in the field of strategic management and environment in the water equipment distribution industry will be able to use the study as a source of reference in forming future research topics and studies. The study will also stimulate more research on strategic responses that other organizations can develop in order to adapt to the changing business environment in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter consists of review of existing literature on the topic of the study. It focuses on the strategic responses the organizations take so as to remain competitive in the industry they are operating and the environmental factors and challenges that they experience. According to Thompson (1997), for a firm to control its growth, change and development it must seek to control the forces which provide the opportunities for growth and change and those that pose threat and demand response. Further, Thompson also states that managers must be aware of the environmental forces and environmental change and must manage the organization's resources to take advantages of the opportunities and counter threats. Paradigms concerning 'what will work' to bring about success in a particular industry or competitive environment will be created and maintained. However this paradigm may shift or change as the environmental and competitive forces change. In a turbulent environment the organization must change its strategies and possibly its beliefs so as to maintain environment-values-resources (E-V-R) congruence (Thompson, 1997).

2.2 Concept of Strategy and Strategic Management

Strategy is the direction and scope of an organization over the long-term, which achieves advantage through its configuration of resources within changing environment and fulfills stakeholder's expectations' (Johnson & Scholes, 2003). Firms are in trouble if they do not work on their future (Aosa, 1998). Hax and Majluf (1996) have presented strategy as a multi-dimensional concept that embraces all critical activities of the firm, providing it with a sense of unity, direction and purpose as well as formulating the necessary changes induced by its environment. The concept of strategy represents a unified definition of competitive domain of the firm; response to external opportunities and threats, and internal strengths and weaknesses in order to achieve a sustainable competitive advantage.

Strategic management includes understanding and strategic position, strategic choices for the future and turning strategy into action. Strategic position is concerned with the impact of strategy to the external environment, internal resources and competencies, and the expectation and influence of stakeholders (Johnson and Scholes, 2003).

Strategic management process therefore enables an organization to predict its environment and shape its future. Porter (1980) ascertains the value of strategic management to any organization is to provide a central purpose to the activities of the organization, the people who work in it (internal environment) and often the world outside (external environment).

2.3 Organizations and the environment

Organization responses to the environment often involve change. For change to be successful it has to link the strategic, operational aspects of the organizations. It therefore emphasizes the importance of translating strategic change into detailed resource plans, critical success factors and key tasks but also the way the organization is managed through control processes and everyday communication (Johnson, 2002).

Strategic diagnosis identifies whether a firm needs to change its strategic behavior to assure success in its future environment. If the need is confirmed, the next thing would be to select and execute specific actions, which may bring the firms aggressiveness and responsiveness in line with the future environment (Ansoff, 1990).

Ansoff further explains that there has to be an appropriate transformation of firm's capability to match the changed environment. The changes may involve the human resource, management, finance, operating systems and policies that guides the firm's strategic thrusts. The firms must strive for a good fit between the skills people have and everyday jobs they do (Tranhhat, 1997). The organization judiciously uses the factors present in its external and internal environments to its advantage. This enables the organization to gain a sustainable competitive advantage in the market wherein it is able to deliver more 'value' to the customers as compared to other competing firms. In order to that, the organization has to identify and exploit strategic opportunities prevalent in its external environment.

2.3.1 Industry competition

According to Porter (1980), strategy is about competition and the means by which organizations try to gain competitive advantage in the industry environment. He bring forward the five forces driving the industry competition; threat of new entrants, bargaining power of the suppliers, bargaining power of the buyers, threat from substitute products and services and level of rivalry among existing firms in the industry. Porter believes that after identification of these five forces in a particular

industry, a Strengths-Weakness-Opportunities-Threats (SWOT) analysis of the firm should be done to determine the firm's competitive position, this will enable the firm to decide which strategies to apply in order to combat the competition. Boseman and Phatak (1980), argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and government and how they impact on its operations. Success is dependent on productivity, customer satisfaction and competitor strength. Critical success factors are crucial to an organization because they take into consideration fundamental changes in the environment thus making the firm proactive rather than reactive (Bett, 1995).

Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition (Aaker, 1992). Aaker also adds that given the current focus in business, there is a need to understand competitor strengths in the market and then position one's own offering to take advantage of weakness and avoid head-on clashes against strengths. Kotler (1998) says that to adapt to environmental changes, firms require effective leadership. He further states that while leadership is crucial, most organizations are over managed and others under managed and others under led. In this regard, therefore, it's necessary to examine what impacts leadership and strategic management have on an organization.

2.3.2 External environment

To be successful overtime, an organization must be in tune with its external environment. Pearce and Robinson (1991) show in their model that the external environment consists of two interactive and interrelated segments which are the operating environment and the remote environment. The operating environment consists of competitors, customers, creditors, labour market and suppliers that are the immediate business environment, while the remote environment consists of the economic, political, social and technological aspects which are further away. The operating environment is easily controllable by the firm. Customer relationships can be cultivated and a successful supply chain can be cultivated.

Pearce and Robinson further postulates that the remote environment consists of factors that originate beyond the firm's operating environment and therefore much harder to

manipulate or handle. Economic forces influence inflation rates, unemployment rates, foreign exchange rates and disposable income for instance which the firm must contend with. Politico-legal considerations may influence laws governing firms and dictate specific ways of running organizations through labour laws, anti-monopoly laws, and taxation and so on.

2.3.3 Internal Environment

An organization's internal environment is composed of the elements within the organization, including current employees, management, and especially corporate culture, which defines employee behavior. The organization judiciously uses the factors present in its external and internal environments to its advantage. This enables the organization to gain a sustainable competitive advantage in the market wherein it is able to deliver more 'value' to the customers as compared to other competing firms. The organization's resources, its capabilities and competencies make up the internal environment of the organization. The internal environment plays a crucial role in the strategic management process of the organization. It is a direct reflection of what the organization can do in the event of a business-related exigency. The organization's core competencies help sustain it in the long run in the face of competition.

The internal environment encompasses competencies of the firm and the structure of its internal systems and processes. It is imperative for the organization to conduct an internal analysis to obtain a clear picture regarding its strengths and weaknesses. Based on the same, the organization can devise suitable strategies to leverage its strengths and overcome its weaknesses. This helps the organization in strategic planning. The SWOT Analysis helps the organization in identifying its inherent strengths and weaknesses. Internal environment consists of various components. Organizational mission statement which describes what the organization stands for and why it exists and explains the overall purpose of the organization and includes the attributes that distinguish it from other organizations of its type. Company policies form guidelines that govern how certain organizational situations are addressed they provide guidance to managers who must make decisions about circumstances that occur frequently within their organization and form an indication of an organization's personality that should coincide with its mission statement. Formal structures of an organization are the hierarchical arrangement of tasks and people which determines how information flows within the organization, which departments are responsible for

which activities, and where the decision-making power rests. The organizational culture is an organization's personality. The culture of an organization distinguishes it from others and shapes the actions of its members. Four main components make up an organization's culture; values, heroes, rites and rituals.

Organizational climates are a byproduct of the company's culture and the overall tone of the workplace and the morale of its workers are elements of daily climate. Worker attitudes dictate the positive or negative “atmosphere” of the workplace. The daily relationships and interactions of employees are indicative of an organization's climate. Resources refer to the people, information, facilities, infrastructure, machinery, equipment, supplies, and finances at an organization's disposal. People are the paramount resource of all organizations. Information, facilities, machinery equipment, materials, supplies, and finances are supporting, nonhuman resources that complement workers in their quests to accomplish the organization's mission statement. The availability of resources and the way that managers value the human and nonhuman resources impact the organization's environment.

Philosophy of management represents the manager's set of personal beliefs and values about people and work and as such, is something that the manager can control. Managerial leadership styles refer to the number of coworkers involved within a problem-solving or decision-making process reflects the manager's leadership style. When guided properly, an empowered workforce may lead to heightened productivity and quality, reduced costs, more innovation, improved customer service, and greater commitment from the employees of the organization. In addition, response time may improve, because information and decisions need not be passed up and down the hierarchy. Empowering employees makes good sense because employees closest to the actual problem to be solved or the customer to be served can make the necessary decisions more easily than a supervisor or manager removed from the scene.

2.4 Organizational strategic responses

Strategic responses can be seen as matching of the activities of an organization to the environment in which it operates. A strategic response affects the long term direction of the organization and requires large amounts of resources. It is aimed at achieving advantage for the organization and as such it is concerned with the scope of the entire organization activities (Johnson and Scholes, 1999). According to Ansoff (1990), information obtained from strategic diagnosis is used to select a strategic response which will assure the firms future success. In discontinuous environments two types of responses are found.

2.4.1 Types of responses

Organization responsiveness is the way in which an organization handles change in the environment. Ansoff and McDonnell (1990) described four primary types of responsiveness which serve a distinct goal of the firm; operating responsiveness which aims at minimizing the operating cost of the firm, competitive responsiveness which optimizes the firms profits, innovative responsiveness which develops the firm's near terms profit potential and the entrepreneurial responsiveness which develops the firms long term profit potential. Thompson (1997) defines strategic adaptations as changes that take place overtime to strategies and objectives of an organization. Such changes can be gradual or evolutionary, or more dramatic, even revolutionary. Such responses may take many forms depending on the organizations capability and the environment in which it operates.

The first is referred to as the positioning response which uses strategic planning to select the portfolio of business areas in which the firm will participate and to develop the competitive strategies it will pursue in each area. The second one referred to as the real-time response, which uses a technique called strategic issue management to identify potential unforeseen strategic threats and opportunities to estimate the impact on the firm and to develop and execute timely responses. As far as strategic management is concerned, organizations need to develop corporate strategy that is best suited to their strengths and weakness in relation to the environment in which they operate (Lynch, 2000). This strategic response may involve changes in organization's products, change in markets, and change in organization structure,

strategic alliances or mergers with other organizations, various diversification or liquidation.

2.4.2 Levels of strategy that organizations adopt

According to Johnson and Scholes (2003), there three levels of strategy an organization can adopt: corporate, business and operational strategies. Corporate level strategy is concerned with the overall purpose and scope of the organization and how value will be added to different business units of the organization. There exists four possible corporate level response strategies; market penetration, product development, market development and diversification that management may consider as ways to grow the existing business via existing and/or new products, in the existing and /or new markets. Porter (1980) points out that a diversification strategy stands apart from other strategies. The first three strategies are usually pursued with the same technical, financial and merchandising resources used for the original product line, whereas diversification usually requires a company to acquire new skills, techniques and facilities. Therefore, diversification is meant to be the riskiest of the four strategies.

According to Porter (1980), diversification is a form of growth marketing strategy for a company which seeks to increase profitability through greater sales volume obtained from new products and markets. Diversification can occur in business level or corporate level. At the business unit level, it's most likely to expand into a new segment of an industry in which the business is already in. At corporate level, its generally entering a promising business outside of the scope of the existing business unit (Ansoff, 1980). Company's corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is an important link between corporate level and business level.

According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between different parts of the organization. Business level strategy on the other hand is about how to compete successfully in particular markets. The concerns are on how advantage over competitors can be achieved; what new opportunities can

be identified or created in the markets. Operational level strategy is concerned with how the component part of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people.

Operational responses refer to responses that are concerned with how the component parts of the organization deliver effectively the corporate and business level strategies and business level strategies in terms of resources, process and people. It remains an important element of corporate strategy as a successful implementation of such strategies can be very high e.g. Toyota Motor co-operation became top three global year companies between 1950 and 1990 by focusing on the twin strategies relating to operations and marketing. The company introduced a series of operations initiatives that assisted car and truck production essentially a repetitive, massive manufacturing process. Major investment in the physical and the human resource is necessary to achieve results and fundamental changes in people and machines need to be addressed by every company (Lynch, 2000). Human resource training program that make employee think like customers are important in achieving customer responsiveness (Hill, 2001). Lynch further states that new technology on the other hand can shape future strategy.

Discontinuity or major changes in technology and markets can have a substantial impact on strategy. Marketing on the other hand is an operational response and in order to achieve superior customer responsiveness, market development must know the customer as well as communicate custom feed back to appropriate functions (Hill, 2000). Operational strategy therefore aims to provide manufacturing and related process that will give the organization competitive advantage and it supplies co-ordinated support for products so that they win sales orders in the competitive market place. Operational response is important as it can lead to competitive advantage in areas such as variable production to make products that are tailor made, lower cost, high product quality and enhanced service delivery (Lynch, 2000)

According to Johnson and Scholes (2003), shows that strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people. Companies adopt strategies directed at improving the effectiveness of basic operations within the company such as production, marketing material management research and development and human

resources. Even though strategies may be focused on a given function, more often than not they embrace two or more functions and require close cooperation among functions to attain company wide efficiency, quality innovation and customer responsiveness goals.

According to Flavel and Williams (1996), a business enterprise will justify its existence, and survive in the long-term by ensuring that their strategies contain goals, policies, and action consequences. The strategies should be developed around few key concepts that deal with the unpredictable and the unknown environment. This involves various strategy dimensions which include identification of the market need, either latent or currently existing as well as creation of customers and thus, demand for identical product or service, within sustainable market niche of sufficient magnitude to provide an adequate return to the business. The strategies also require fulfilling the identified need to complete satisfaction of its customers, monitoring and anticipating changes to the customers' needs and wants. Monitoring and anticipating competitor's strategies and actions. It calls for monitoring and anticipating changes with the market environment and also formulating strategies, and implementing and evaluating actions to maintain ongoing relevance of the enterprise to its identified market. Strategic planning enables the achievement of these important survival factors in a disciplined, structured and coordinated manner.

2.4.3 Types of competitive strategic responses

Porter describes three generic competitive strategies; cost-leadership, differentiation and focus strategies. Cost-leadership aims at being efficient in production and operations to reduce costs by having controls to this effect. Differentiation means targeting different markets segments and catering for each individually to gain maximum value. Focus involves concentrating on one particular market niche to position in the market. Hill and Jones (1999), argue that focus strategy concentrates on serving a particular market niche, which can be defined geographically or through the type of customer or by segment of the product line. It differs from the first two in that it is directed towards serving the needs of a limited customer group or a segment making the company specialized in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovate product that a customer cannot do without. The company has

enormous opportunity to develop its own niche and compete against low-end cost and differentiated enterprise which tend to be larger.

According to Grant (2000), survival and success of an organization occurs when it creates a match between its strategy and the environment and also between its internal capability and strategy. The environment is not static but turbulent, discontinuous and uncertain. Strategic responses are required by organizations to change their strategies to match the environment and also to transform or redesign their internal capability to match this strategy. This in turn means that organizations need to harness both its tangible and intangible assets to maintain strategic fit into its environment and strategy. If an organization strategy is not matched to the environment, the strategy gap arises. It is thus important that an organization is able to shift their strategy with changes in the environment and their capability to the selected strategy in order to survive, succeed and remain relevant (Porter, 1985). Successful organizations fully continually scan their environment in order to identify future economic, competitive technological and political discontinuities which could affect its operations (Ansoff and McDonnell, 1990).

Johnson and Scholes (2003), show that dealing with the environment is difficult because of three factors. Firstly, diversity of different influences that affect businesses identifying the environmental influences may be possible but it may but it may not be of much use because no overall picture emerges of the really important influences on the organization. Second is the speed of change. Managers typically feel that the pace of technological change and the speed of global communication means more and faster changes than ever before. Third is the problem of complexity. Management tries to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It's important to avoid these tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

2.4.4 Strategic response delays

Ansoff (1980) asserts that when a firm fails to respond to a threat the losses that results continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is a serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point. The start of the response may be delayed past the rational trigger point due to four factors; system delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990).

System delay typically occurs in large firms due, in part, to the time consumed in observing, interpreting, correlating and transmitting information to responsible managers. In another part it is due to the time consumed by these managers in communicating to one another and establishing a common understanding as well as the time necessary for processing decisions among the responsible groups and decision levels. A verification delay may be invoked because some managers will argue that even though the level of impact has reach unacceptable propositions, there is never an ironclad assurance that the threat is real and that the impact is permanent. They will opt for waiting a little longer to see if the threat will “blow it self out”.

A political delay may occur if certain manager, whose domain contributes to the crisis, feels that the recognition of a crisis will reflect on the reputation and or will cause them to lose power. Even if they are convinced that the threat is real, they will want to fight a delaying action to avoid becoming scapegoats, to gain breathing space to develop a line of defense or to line up a line of retreat. Unfamiliarity rejection delay would contribute to the other three of as in typical in the western managerial culture, the managers are trained to trust prior and familiar experience and reflect unfamiliar ones as improbable and invalid. There delays will substantially increase the total cost to the firm such response is referred to as reactive management. The organization will incur two types of costs as a result of delayed response to discontinuous changes. These are the cumulative loss of profit and costs incurred in arresting or reversing the loss. Management problem is to minimize the total losses (Ansoff and McDonnell, 1990).

2.5 Recent similar studies

Studies carried out by researchers in the past have confirmed that firms respond differently to the forces in the external environment in Kenya. Mwanthi (2003) noted that changes in the in legislation in the banking industry such us the increase in minimum capital base required to KShs 250m in the late 90's to conform with the Basle capital accord led to banks responding by merging together in order to consolidate their capital bases. This led to the union between Bullion bank and Commercial Bank united and National Industrial credit and African Mercantile bank during that period. This response by the banks due to the government legislation represents their strategic response to ensure continued operations in keeping with changes in legislation.

Kombo (1997) study showed that firms in motor vehicle industry made adjustment by introducing new technologies in product development, differentiation segmentation and targeting their customers with improved customer services. The above studies emphasize the importance of strategic responses of firms to the changing business environmental demands. Bett (1995) found out that firms in the dairy industry responded to competition by making adjustment in their marketing mix variables of product, promotion, price and place. Competitive pricing and discounts, product quality and branding, changes in product range differentiation were considered important for enhancement of customers' perceived value. Muturi (2000) carried out a research on strategic responses by firms facing changed competitive conditions with concentration on the East African Breweries limited. The company responded to threats posed by increased competition by making changes in its product, promotion, cost, market research and adopting competitor analysis and intelligence strategies. Some of the costs and efficiency measures taken up were by use of state-of-the-art equipment and technology. Product differentiation was done through introduction of strong brands and unique brand features.

Chepkwony (2001) studied the strategic responses of petroleum firms in Kenya to challenges of increased competition in the industry players has made various strategic changes in their internal dimensions such as; exploring various market segments not ventured into before, prioritization of goals , improvements in firms' technologies to make competitive products. Major adjustments were carried out on strategic variables such as product, promotion, social responsibility, process, research and development,

and costs structure. Isaboke (2001) carried out investigations on strategic responses by major oil companies in Kenya to the threats of new entrants. He established that majority of the oil companies are using combination of generic strategies including cost leadership, differentiation and market focus, segmentation, penetration and development of new markets. They also use competitive strategies such as the use of convenient stores and restaurant franchise in up-market areas to compete against the new entrant.

Thiga (2002) found out that firms in the aviation industry formed alliances and partnerships so as to globalize their route and earn competitive edge. At the airlines surveyed had adapted strategies that helped them cope with the changed environmental conditions. Kiptugen (2003) revealed major factors affecting the banking industry and Kenya Commercial Bank in particular as economic decline, liberalization, legislative changes, increased level of education and technological advancements. The bank addressed its changing competitive situation by formulating and implementing strategic responses that include restructuring, marketing, information technology and cultural change. Muruiki (2005) observed that Jua Kali artisans had responded to challenges of increased competition by improving on marking their products and looking out for new markets. They managed to position their products in hardware and supermarket stores in a bid to increase their sales. The findings from these studies confirm that firms respond to and organize themselves to cope with aspects of the external environment that were of particular significance to them.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the research design, data collection method and data analysis methods used in this study to meet the study objectives. The objectives of the study are to determine the changing environmental factors affecting Davis & Shirliff and Strategic responses adapted by the organization due to these changes.

3.2 Research Design

This chapter contains the research design, data collection and data analysis methods used in this study in order to meet the study objectives. A case study method was used to collect in depth data to achieve the objectives of the study was to determine strategic responses adapted by Davis & Shirliff Ltd due to the changing business environment in Kenya. Importance of the case study method was emphasized by Kothari (1990) and Young (1960) both of whom acknowledged that the case study was a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. Further Kothari stated that it's a method of study in depth rather than breath and places more emphasis on full analysis of a limited no. of events or conditions and their interrelations. Therefore, in this case a case study approach is considered appropriate because of the unique nature of the phenomenon under study.

3.3 Data Collection

Questionnaire method was used for primary data collection. A semi-structured questionnaire was used to collect data from the managers at each of the local branches (Westlands, Nakuru, Eldoret, Kisumu, Mombasa and Malindi) seven departmental heads and one director in the head office. These respondents were chosen because of their overall experience of the market in their jurisdiction. The questionnaires consisted of parts A, B and C. Part A was used to collect data on the personal attributes of the respondent. Part B focused on the changes in the business environment in Kenya that have affected Davis and Shirliff. Part C focused on the strategic responses that Davis & Shirliff adapted due to the changing business environment in Kenya as discussed in part B.

The questionnaire was self administered and was sent by email to the eight managers in their respective branches and drop and pick method was used for managers in the head office. Follow-up for those send by email was made by phone call and were sent back by either email or courier. Secondary data collection was obtained from the company's news letters, annual plan reports, bimonthly reports and the strategic paper developed by the commercial director. These were used to collect information on the targets and growth figures, planned activities and achievements, strengths and weakness, opportunities and threats faced by the company. This data used to support the findings on the primary data and provide more information that may have not been captured by the respondents.

3.4 Data Analysis

The structured questions generated quantitative data, while the unstructured questions generated qualitative data while the unstructured questions generated qualitative data. The quantitative data was analysed using descriptive statistics and presented in the form of tables and graphs while qualitative data will be analysed through content analysis. This method of analysis uses a set of categorization for making valid and replicable inferences. The quantitative data obtained from the questionnaire was analyzed by use of descriptive statistics and then presented through percentages, means, frequencies and graphs to address the research objectives.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

This chapter presents and discusses the analysis of data collected from various respondents who filled the questionnaires. The structured questions generated quantitative data, while the unstructured questions generated qualitative data. The quantitative data was analysed using descriptive statistics and presented in the form of tables and graphs.

4.1 Personal attributes of the respondents

The respondent's personal attributes were analyzed in terms of their age, years of experience gender and academic qualifications.

4.1.1 Response rate

Questionnaire was distributed to sixteen managers out of which fourteen were fully completed and collected by the researcher for data analysis. This represented a response rate of 88% or 14 managers of the total targeted. The two that were unable to return their questionnaires were branch managers who were on their leave during the data collection period.

4.1.2 Age distribution

The study also found out that 29% of the respondents are aged 41 and above while 57% are aged between 30 and 40 years and 14% below 30 years of age. This is presented in the table below.

Table 4.1: Age distribution of the respondents

Age of Respondents	Tally	%
Below 30 yrs	2	14%
30-40 yrs	8	57%
Above 40	4	29%

The respondents were also asked to state how many years they have worked for Davis & Shirtliff. 80% of the managers interviewed have indicated that they have worked for the company for more than 5 years. Results are represented in the table below;

Table 4.2: Years which respondents have worked for D&S

Years worked for D&S	Tally	%
Below 5yrs	2	14%
5-10 yrs	4	29%
Above 10yrs	8	57%

This results show that almost 80% of Davis & Shirtliff mid level and top management staff have worked for more than 5 years and 86% are aged 30 years and above. Ansoff (1990) explains that there has to be an appropriate transformation of firm's capability to match the changing environment. The changes may involve the human resource, management, finance, operating systems and policies that guides the firm's strategic thrusts. Tranhat (1997), further adds that a firm must strive for a good fit between the skills people have and everyday jobs they do. Davis & Shirtliff seems to value their employees and keep them for long term strategic objectives. Never the less 14% of the respondents had worked for only less than 5 years.

4.1.3 Gender of respondents

The respondents were asked to state their gender. It was found out the 21% of the respondents were female while the remaining 79% were male. This is presented in the table below.

Table 4.3: Gender of the respondents

Gender of respondents	Frequency	%
Male	11	79%
Female	3	21%

This results show that Davis & Shirtliff has a predominantly male top and mid-level management.

4.1.4 Academic and Professional Qualification

The researcher also sought to know the highest academic qualification of the respondents. The study found out that 64% of the respondents were Graduate level holders while 29% had Masters level holders. The results also showed that none had Primary, A-level or O-level as their highest qualifications. The analysis of the academic qualification of the respondent can be observed from the table below.

Table 4.4: Highest academic qualifications of the respondents

Highest Academic Qualifications	Frequency	%
Primary	0	0%
A-level	0	0%
O-Level	0	0%
Graduate	10	71%
Masters	3	21%
PHD	1	7%

The results above are mainly contributed to the employee entry level at Davis & Shirtliff. Human resource recruitment reports show that primary entry requirement for new permanent staff in any department is a holder of an undergraduate degree from a University in the relevant field. The organization's core values in its mission statement are based on professionalism and integrity hence it acquires its employees from the market people possessing the best skills and knowledge with an aim to maintain its principles as part of its strategy to remain competitive and distinct in its market.

4.2 Changes in Davis & Shirtliff's operating environment

The respondents were asked to state whether Davis & Shirtliff had experienced any changes in its operating business environment. All the respondents said that the organization had experienced changes and on being asked to explain, what changes has specifically affected the firm in the external environment; the respondents listed several of them. One major change identified by respondent was competition. They reiterated that Davis & Shirtliff faced direct local competition from other new companies and direct imports by individuals. Further study through the companies reviews show that Davis & Shirtliff also faces international competition from its international markets from other manufacturers. The respondents were asked to state to what extent (very seriously to not at all) each external environmental factor had affected the organization. The results are represented below in summary for each factor of the external environment.

4.2.1 Political/ Legal Environment

The graph below summarizes the results of the responses of how the elements of Political/Legal environment have affected Davis & Shirtliff.

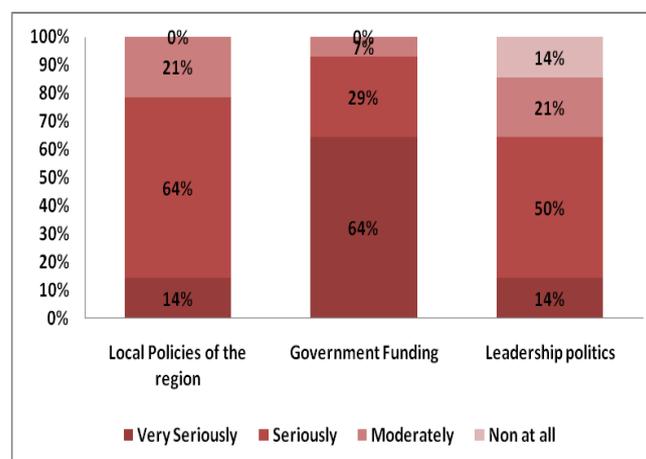


Fig 4.1: Graph showing the extent to which the Political/Legal environment elements have affected Davis & Shirtliff.

4.2.1.1 Local policies of the region

11 of the 14 managers (78%) indicated that Local policies of the nation seriously affected the performance of Davis & Shirtliff; the rest felt that the policies only affected the organization's performance moderately or not at all. The study showed that the policies affecting the organization are taxation policies, import and export processes. The research sort to find out how these policies have directly affected the organization and found out those sales of products which have been zero rated for VAT has increased sales for such products example include generators, solar products and hand pumps. Government input in realizing importance of such moves has greatly contributed to the spending power of the consumers hence increasing its market. The study also showed that ease of import and export processing has also contributed to the growth of business giving it the ability to procure equipment overseas with ease and meet customer expectation in time. Compliance to various requirements like Kenya Bureau of Standards (KBS) and the International Standards Organization (ISO) has also given the company an edge over non compliant competitors in the market since it has by doing so increased its customer confidence on the product performance.

4.2.1.2 Government Funding

93% of the respondents showed that Government funding affects Davis & Shirtliff very seriously to seriously. Further research showed from the company plan and monthly budgets shows that during the months of August and June have the largest portion of their budget to attain. This is usually based on the anticipation that the Government will spend the allocated budget for the previous year before the budget day to avoid return of unused funds. Allocation of national financial budget towards water based projects has a direct impact on the performance of Davis & Shirtliff. During the year 2009, through the Emergency Drought Eradication program from Ministry of Water saw almost 20 boreholes drilled in Nairobi alone and Davis & Shirtliff won tender for equipping them at estimated KShs 30million. Many other government funded water related projects have greatly contributed to the performance of the company like through the District Water Offices across the country.

4.2.1.3 Leadership Politics

9 respondents thought that local politics had at least seriously affected Davis & Shirtliff in one way or the other. The rest 5 respondents thought that politics had not affected the company to a large extent. Further interview on those respondents who considered that it had seriously affected the performance of the organization cited the last national general election held in 2007 to have contributed to very poor performance in the months of between January and March 2008 when there was unrest in the country. Performance of the month of July and August 2010 just before the referendum recorded months of the lowest performances.

4.2.2 Economic Environment

The graph below summarizes the results of the responses of how the elements of the Economic environment have affected Davis & Shirtliff.

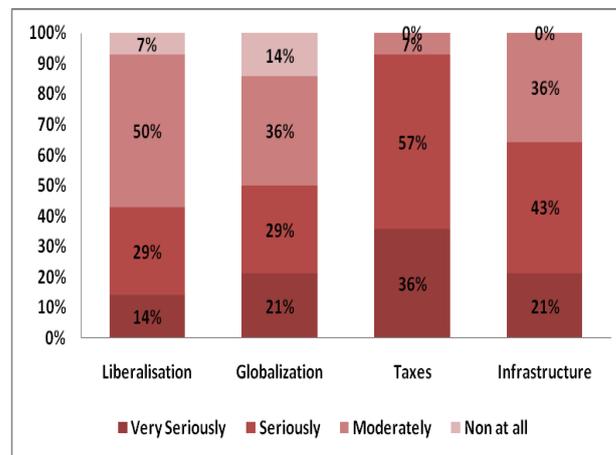


Fig 4.2: Graph showing the extent to which the economic environment elements have affected Davis & Shirtliff.

4.2.2.1 Liberalization

Most of the respondents (57%) thought that Liberalization had either not all or moderately affected the company while the rest (43%) thought it has very seriously to seriously affected the company. The liberalization of the market for the operating environment of Davis & Shirtliff occurred a while back more than 5 years ago with the ease of licensing and importing laws and requirements. Any competitor with substantial capital has the ability to import their own products and supply to the market.

4.2.2.2 Globalization

The respondents were equally divided in determining to what extent globalization had affected Davis & Shirtliff. The study was limited to the local environment and the research was based on the local branches and head office. Majority of those that considered that globalization had at least seriously affected the company were from the head office in Nairobi. They felt that international companies and manufacturers mainly from Dubai, China and Japan of similar products are investing in the local market increasing the competition. The rest of the respondent mainly from the branches had not been affected to a large extent since most of these investors were based in Nairobi. Company Bi-monthly reports show that more business has been realized from the head office through exports to the neighboring countries. A good example is South Sudan which is a developing market which is now budgeted to bring over KShs 30million business annually and Somali despite not having set up offices in those countries.

4.2.2.3 Taxes

13 (93%) respondents showed that taxes had at least seriously affected the performance of Davis & Shirtliff. The research further sort to find out how these policies have directly affected the organization and found out those sales of products which have been zero rated for VAT has increased sales for such products example include generators, solar products and hand pumps. Exemption of import duty for pumping equipment has greatly contributed to the lowered prices of these equipments making it easy to import at a price affordable to the consumers.

4.2.2.4 Infrastructure

None of the respondents thought that Infrastructure had not affected operation of Davis and Shirtliff. Majority of the respondents (64%) thought that infrastructure at the least seriously affected their operations. Further study showed that road transport of the products either from port of Mombasa or to their entire local branches and to customers was the major element that affected the distribution. Good road networks and communication platforms contributed to a large extended how the business was transacted.

4.2.3 Technological Environment

The graph below summarizes the results of the responses of how the elements of Technological environment have affected Davis & Shirtliff.

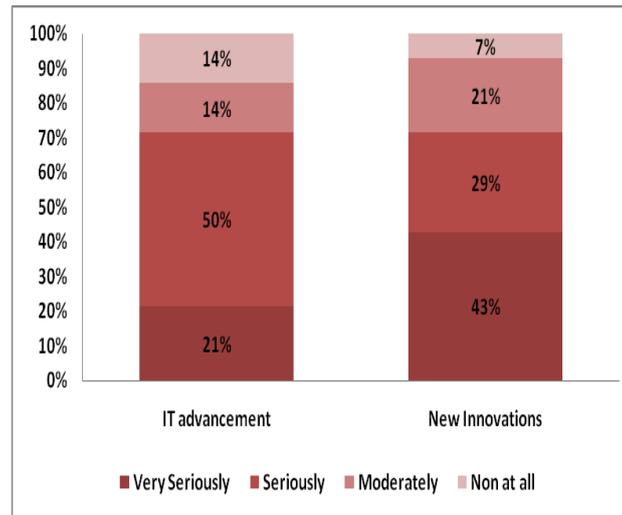


Fig 4.3: Graph showing the extent to which technological environment elements have affected Davis & Shirtliff.

4.2.3.1 I.T Advancement

Information technological advancement is one of the leading contributions to an organizations' success. 10 (71%) of the respondents indicated that IT advancement had at the least seriously affected the operation of Davis & Shirtliff. Further research showed that Davis & Shirtliff operations are purely dependent on Navision software which was implemented 9 years ago to handle all transactions and processes from sales, inventory management, and accounting to reporting. Last year the software was upgraded and new IT staff hired to handle its development and improvement and at the same time to have all the subsidiaries connected the system for easy operation and monitoring centrally. The implementation has made doing business more effective and reporting much easier and ensuring all controls are in place.

4.2.3.2 New Innovations

10 of the respondents noted that new innovation in terms of products had at least affected the operations of the organization seriously. New product developments from international manufactures have been introduced to the market to make the products more effective and cost effective. Introduction of these products has seen the market customer expand. February 2010 newsletter shows that introduction of Chinese

products similar to other from other markets has developed their own share in the market. Similarly introduction of new products has increased turnover of the company. The organization has used these new innovations to target a new different market segment to gain maximum value as Porter puts it.

4.2.4 Technological Environment

The graph below summarizes the results of the responses of how the elements of Industrial environment have affected Davis & Shirliff.

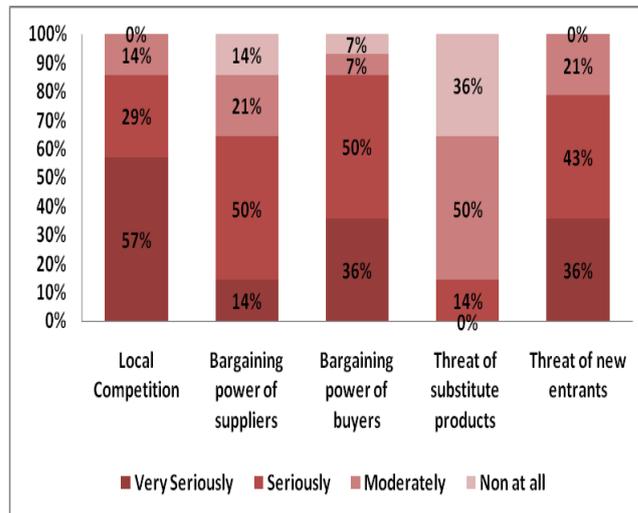


Fig 4.4: Graph showing the extent to which Industrial environment elements have affected Davis & Shirliff.

4.2.4.1 Local Competition

It's worthy to note that 12 (86%) of the respondents stated that competition affected the operation of the organization seriously to very seriously. Only 2 respondents thought the effect was only moderate. Further interview reviewed that Davis & Shirliff faced direct local competition from other new companies, direct imports by individuals and competition from its international markets in form other manufacturers deciding to invest directly in Kenya. Competition that has affected the company is unique since no single competitor does the whole range of its scope and hence the competition comes from various quarters specifically targeting.

4.2.4.2 Bargaining powers of the suppliers

9 (64%) agreed that bargaining power of the suppliers at the least seriously affected the operation of the business while the rest thought otherwise. Information from one of the newsletters shows that Davis and Shirliff is involved in reselling imported

water related equipment from various international manufacturers including *Grundfos* in Denmark, *Pedrollo* in Italy, *Davey* in Australia, *General Electric (GE)*, *Approtech* in India, *Lister* in the UK. It has gone ahead to source various suppliers from Taiwan in its strategy to supply cheap quality products to enable it to reach the lower market.

The supply chain manager says that all the suppliers have different pricing structure and repayment periods. *Grundfos* for example is the most reliable supplier and Davis & Shirliff bases its 63 years of success because of their products, this has resulted good relationships making the prices and repayment period quite reasonable with good margins compared to other suppliers like *Lister* who ask for upfront payment and long delivery lead times. Rise and fall of the prices from the suppliers usually affects the prices to the end consumer. Introduction of the Taiwan cheaper products have lead to market revolution where the bargaining power of the supplier has been reduced since the local market is looking for affordable products and are ready to embrace the products.

4.2.4.3 Bargaining powers of the buyers

12 (86%) of the respondents agreed that to a large extent the bargaining power of buyers has affected the business environment that Davis & Shirliff is operating. Further research on this context reveals that the company has a pricing policy tailored for each segment of customers which have been classified to Cash, Major Trade, Government and NGO's, Dealers and Export. Basically discount varies depending on the category group and products in this policy. This according to the Commercial director serves to maintain each category customers by providing the most competitive prices in the market. Repeat customers have an option of obtaining goods on credit terms according to the volume of transaction and their credit worthiness. This strategy the CEO believe enables the company to have a competitive edge over other competitors since the company has a stable financial background and can carefully finance other traders by giving them credit. Conflict arises sometimes when negotiating for deals where sometimes the pricing policy does not apply and credit terms are stretched due to various factors that give customers an upper hand.

4.2.4.4 Threat of substitute products

12 (86%) of the respondents agreed that to a large extent that threat of substitute products have not to any large extent affected the business environment in which Davis & Shirliff operates. The company trades in specific products related to water and are not easily substituted with other products. The organization trades with water pumps, water treatment solutions, Power products, Solar products and swimming pool equipment. These equipment are basic and offer a primary solution to water problems faced by the market hence they are not easily substituted.

4.2.4.5 Threat of new entrants

11 (79%) of the respondent felt that threat of new entrants seriously affected the company. In reference to their response in regards to the degree of effect of competition, most stated that threat from international firms and new suppliers has really affected their business. Firm especially from China are investing in the local market either by working together with local firms or supplying equipment directly to the market. Some manufacturers have setup offices in Nairobi.

4.2.5 Customer profiles and Tastes

The graph below summarizes the results of the responses of how the elements of customer profiles and tastes have affected Davis & Shirliff.

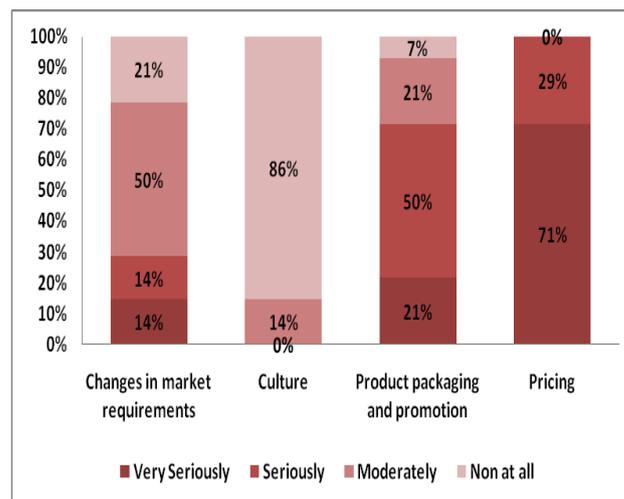


Fig 4.5: Graph showing the extent to which customer profiles and tastes elements have affected Davis & Shirliff.

4.2.5.1 Changes in market requirements

10 (71%) respondents clearly indicated that changes in market requirements had moderately or not at all affected the performance of the company. The study also

shows that the products that Davis & Shirliff deals in are basic and are not easily substituted by other products hence this further shows that changes in market requirement will not adversely affect the company's performance. The rest 4 respondents had a different feeling and thought that this would affected adversely. Its was worth to note that those managers were in departments that dealt with products that could easily be substituted e.g. Solar power against Fuel power in which case the customer had a choice between the preferences.

4.2.5.2 Culture

All the respondents agreed that culture was not a major element that adversely affected the company's performance and 86% thought that culture had no effect at all. This was also confirmed since water is a basic commodity to all communities and lack of it is a big burden making the provision welcome anytime by the communities. One manager on further research disclosed that NGO's in particular formed one of the biggest group of customers sourcing water equipment for communities with different cultures with no problems.

4.2.5.3 Product package and promotion

10 (71%) of the respondents agreed that product packaging and promotion to a large extent affected the business of Davis & Shirliff, while the rest 4 felt the effect was not immense. Marketing promotion has played a great part and strategy to place press and billboard advertisement of different line of products on different seasons has proved successful. Product package that the company offers in this case includes after sales service, warranty and installation by professionals. The Service manager agrees that due to the technical know how of the equipment most clients prefer to be involve the company in the installation and servicing of the equipment because of the confidence they have with the company.

4.2.5.4 Pricing

All the respondents agreed that pricing of products at the least seriously affected the performance of Davis & Shirliff. The company which has maintained its market share for over 63 years has been able to do so by maintaining quality premium products which have been able to build its brand name. The commercial director gives an example of *Grundfos* which was established 3 years before Davis & Shirliff. The company believes that quality comes with its price and it does not compromise this

believe. Most of the customers have their perception that the prices of such premium products are too expensive and usually look for cheaper products mainly from China which are readily available. This has led to the company adopting new cheap products branded *Dayliff* from Taiwan to compete for this market a strategy that is working. Despite the price and after a cost-benefit analysis most customers agree to spend more on quality once and for all and in this case Davis & Shirtliff maintains both clienteles.

4.2.6 Customer profiles and Tastes

The graph below summarizes the results of the responses of how the elements of human culture customer profiles and tastes have affected Davis & Shirtliff.

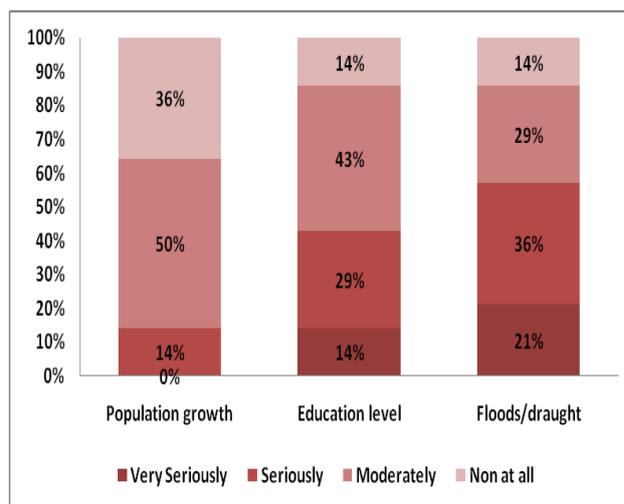


Fig 4.6: Graph showing the extent to which human culture elements have affected Davis & Shirtliff.

4.2.6.1 Population growth

The results from the respondents have shown that 86% believe that population growth affects Davis & Shirtliff moderately to not at all while the rest 14% think it seriously affects the organization. Annual performance reports for the company show a steady revenue growth averaging 15% per annum over the last 5 years. It may not be clear whether the growth as a result of population increase over the years or due to growth in opportunities in the market.

4.2.6.1 Educational Level

6 (49%) of the respondents agreed that education level of the consumers at the least seriously affected the performance of Davis & Shirliff while the rest 57% thought that education level did not affect much the company's performance. Educational level of the customers has a positive contribution in the market especially in acceptance for new innovative products. The company has experienced resistance to the introduction of some new products with customers insisting on maintain the old ways of doing things. The company has invested in training forums and outdoor exhibitions which are held continually to continue educating people on these products in the market.

4.2.6.1 Floods/Draught

8 (57%) of the respondents indicated that floods/draught affect the performance of the organization seriously while the rest 6 respondents felt that the effect was not serious. Davis & Shirliff being in a water industry means that its revenues especially for pumps depend so much on the climate change. The annual report for the year 2009 show that the revenues for the company grew by 20% much contributed to the draught that was experienced. Floods on the other hand as expected do not attract much revenue. The results also show that since the company has diversified to various business units flood/draught do not adversely affect the business units like Engine Power products, Water treatment and Solar business units.

4.3 Davis & Shirliff responses to the changing environment

The researcher also sought to investigate whether the respondents have ever sought for response strategies to mitigate the effects of any major challenges posed by changes in the external environment as identified in part B of the questionnaire. All 14 respondents agreed that the company has sought strategies to counter the challenges faced by changes in the environment in the company's market.

4.3.1 Strategic responses adapted by Davis & Shirliff

The study revealed that strategic responses listed below had a major impact on the operations of Davis & Shirliff as a result of the changing environment.

4.3.1.1 Strategy refocusing

Shift of focus through change of customer approach structure was implemented to have the focus shifted to the customers directly. The managers indicated that the organization has gone through change in its strategy in focusing on customer requirements in totality. This has been done through creation of departments that not only focus on products but on the customer categories in its market especially in Nairobi ensuring personal contact to attain better customer relationship and retention. In previous years as described by one respondent customers were not handled by a specific department and whole of sales handled all the customers. Creation of new department this year has seen the general sales division split into Sales NGO's & Government that deals specifically with NGO's and government funded customers like water boards, District Water offices, Sales Commercial department that deals with private companies, hotels, traders and consultants and Retail sales that deals with walk-in cash customers.

4.3.1.2 Pricing strategy

There is a set pricing policy by the name "discount matrix" for all the products that is used to guide competitive prices offered to the different classes of customers. The aim of this strategy is to have specific discount categories from the gross price for each customer group. The customer groups have been divided into Cash, Major & Trade, Borehole trade, NGOs & Government, Dealers and export trade. Each category has an allocated discount which is meant to keep the prices competitive in the market. This structure also serves to maintain the prices in the market by offering larger discount for resellers who thereafter offer competitive prices to the end-users. This fact has

made dealers to remain loyal and have grown in their revenues based on this support giving Davis & Shirliff an upper hand by having a wider market through the dealers.

4.3.1.3 Product development strategy

Innovation has been one of the strategies that Davis & Shirliff has adopted. It has formed a new product committee that research and propose new products for the market. This initiative has lead to introduction of some of the most successful products that have contributed to a large extent performance of the company. Introduction of cheaper Taiwan sourced substitute products branded “Dayliff” has seen the growth of lower end market that could not afford the expensive premium products from UK, Denmark, Australia and Italy. Bimonthly reports have shown that growth of both sourced products are growing at different rates, meaning that the company is developing a new market rather than cannibalizing the existing market by introduction cheaper products.

4.3.1.4 Diversification strategy

Diversification is a form of growth marketing strategy for a company which seeks to increase profitability through greater sales volume obtained from new products and markets. Davis & Shirliff has invested in providing services for different markets such as Pumps, Water treatment, Solar, Engine Power, Swimming pools products. Having invested in a diverse portfolio in the market has made the company reduce competition and reduce risk while maximizing opportunities. There exists no single competitor competing on the same level of diversification and most competitors either deal in one or two product lines. Example is Chloride Exide Ltd. that deals with solar equipment competes with Davis & Shirliff’s Solar Department.

4.3.1.5 Operational Strategy

Operational responses are concerned with how the component parts of the organization deliver effectively the corporate and business level strategies and business level strategies in terms of resources, process and people. Davis & Shirliff is actively involved in improving the operation efficiencies form feed back from its customers through how-do-you-rate-us cards that is a tool that customers use to give feed back to management. Improvements and restructuring has been done to have customer and staff comfortable. The company has acquired two adjacent plots to have

better services offered to the customers not to mention the launch of the innovations this year which increased the staff capacity and the aesthetics of the building.

4.3.1.6 Strategic Human Resource management

Inevitably increase in the business from a KShs 550 million turnover to a KShs 2.8 billion turnover as reported by the CEO in the annual management conference 2010 has seen the need for increase in capacity. The human resource department has been constantly hired new staff to cater for the growth and awarded promotions for the old staff. This has made the company to manage its staff over the increase of departments and various branches all over the country.

4.3.2 Involvement in Strategy formulation

4 (30%) of the respondent claimed that they were involved in the formulation of the response strategies, while remaining 70% claimed that they were not involved. 9 (90%) of those 70% not involved believed that they would be more effective in implementation of such response strategies if they were involved.

Table 4.5: Managers Strategy formulation involvement

Strategy formulation involvement/implementation	Frequency	
	YES	NO
Are you involved in the strategy formulation?	4	10
If NO, would you be more effective if involved?	9	1

4.3.3 Davis & Shirtliff's Mission Statement

The respondent were asked whether Davis & Shirtliff had a mission statement all 14 (100%) of the respondents agreed that Davis & Shirtliff has a mission statement, 80% of these claimed that the mission statement had changed over the period they have worked for the organization and confirmed that it was changed due to the environmental changes.

Table 4.6: Davis & Shirtliff's mission statement responses

Davis & Shirtliff's Mission Statement	Frequency	
	YES	NO
Does D&S Have a Mission statement?	14	0
If yes, Has it changed during your period?	11	3
If yes, Do you think it's as a result of env. changes?	9	2

4.3.4 Type of responses adopted by Davis & Shirtliff

The findings on table below are based on the Question, “Do you consider the various response strategies adopted Davis & Shirtliff to be proactive or reactive to the changing business environment?” 86% of the respondents perceived the response strategies as reactive to the challenges posed by changes Davis & Shirtliff’s external environment and rest were either not sure or perceive as proactive. On the question that sort to find out whether there are other changes in the business environment that the organization has not responded to, 50% of the responded agreed as shown in the results tabulated below.

Table 4.7: Types of Strategic responses adapted by Davis & Shirtliff

Type of strategic responses adapted by D&S	Frequency		
	Reactive	Proactive	No Response
What do you consider responses adapted by D&S to be?	12	1	1
Changes that D&S has not responded to yet	YES	NO	No Response
Any other changes that D&S has not responded to?	7	3	4

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The chapter discusses the findings gathered from the analysis of the data as well as the conclusions reached. The chapter incorporates the various suggestion and comments given by the respondent in the questionnaire and the interviews. Findings have been summarized alongside the objective of the study; conclusions have been drawn from the study and recommendation for the action given.

5.1 Summary

The ensuing discussion majors on the findings of the study against the backdrop of the objectives that this study was designed to achieve. The researcher found out that the majority of the respondents perceived industrial factors as the most challenging external environmental factors with a mean of 11 and the external factor perceived to least affect the company was social environmental factors with a mean of 8. Pricing and Government funding as elements of customers tastes and preferences and Political/legal environment were found to be the most influential external environmental factors with a mean scores of 13 and 12.5 respectively compared to the least influential element of population growth and threat of substitute products each with a mean score of 6.25.

The study also established that only 29% of the respondents did not actively participate in formulation of response strategies adapted by Davis & Shirtliff, but were involved in the implementation of the organizations strategic plan. 90% of those that were not involved in the strategy formulation indicated that they would be more effective if they were involved during the process. It was also established that 84% of the managers concur that Davis & Shirtliff adopts a reactive response to changes in the external environment rather than being proactive in the development of such response strategies. Further the results show that 50% of the managers believe that there are external factors that the company is yet to respond to. The study clearly showed that the major external industrial factor affecting the company was competition from all quarters including international manufacturers from China and local firms. Davis & Shirtliff has adopted various strategies which has seen the company grow steadily over the years despite these challenge. The standing out strategy that seems to have worked well is product development and introduction of *Dayliff* products from China which has seen the company reap benefits of the new lower-end market while maintaining the premium market.

5.2 Conclusion and Recommendations

This study was designed with two main objectives. The first was to determine the environmental changes facing Davis & Shirtliff and secondly to identify the responses adapted by the organization due to these changes. It can be concluded that there has been a number of environmental changes which have adversely affected Davis & Shirtliff. To deal with these changes, the firm has laid out response strategies to counter the effects. Some of these have been entrenched in the strategic paper prepared by commercial director and rolled out in 2009 while the rest were implemented continually over the years as reactive response to these changes.

The study has also shown that the organization's top management does not involve the lower level managers in most of their strategy formulation and this may have led to inefficient implementation in some cases. The study found out that the organization trains the staff on new developments both in technology and the core business aspects which was one way to maintain the competence of the company. The various strategic responses adapted by Davis & Shirtliff seem to have maintained the growth of the company over the years but the management should now involve more their employees in their strategy formulation to ensure that the implementation is carried out efficiently to ensure success in the future.

5.3 Limitations of the study

Two out of the targeted fourteen respondents were not able to respond to the questionnaire and parts of the questionnaire had a non response in some of the questions. Further research from secondary data had to be used in order to harmonize the responses in the questionnaires and provide more information that may have not been captured by the respondents.

The study also considered in totality the various local branches and the head office departments' markets as one unit in the research. It therefore assumed that they possessed similar characteristics and the study judged them wholesomely. However in reality the strategic responses and environmental changes experienced by the branches may differ from those experienced by departments in the head office.

5.4 Area for further research

The study proposes a similar study be undertaken focusing on the success or failure of response strategies as adapted by Davis & Shirtliff in other organizations experiencing similar changes in their external environment.

5.5 Implication on policy and practice

Research results often need to be contested, debated and tested again before a consensus can be reached on recommendations for policy and practice. Even then many obstacles remain. Policy processes are very rarely linear and logical. Simply presenting research results to policymakers and expecting them to put the evidence into practice is very unlikely to work. Although most policy processes do involve a sequence of stages from agenda-setting through decision-making to implementation and evaluation, they rarely take place in an orderly fashion. Many agents are involved in affecting the process directly, and in trying to influence each other.

This study has shown that Davis & Shirtliff is continually responding to the changing market environment which has led to its success over the years shown by its continued growth. Further growth can be achieved by involving much more the managers in the strategic policy making which is currently has not been achieved. Various strategies have proved to be successful for the company and continued innovations should be encouraged to achieve market sustainability in the competitive market.

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APPENDICES

Appendix one: Questionnaire

Questionnaire guide for the research on strategic responses that D&S has adapted due to the changing business environment.

PART A:

1. Position held

2. How long have you worked for Davis & Shirtliff?

3. Age (years): Below 30 () 30-40 () above 41 ()

4. Highest Academic qualification (*tick one*)

Primary ()	A-level ()	Masters ()
O-level ()	Graduate ()	PHD ()

PART B:

1. Has Davis & Shirtliff experienced any changes in its operating business environment?

YES () NO ()

If YES kindly explain

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2. In the next page are some of the likely possible changes in the business environment that may have affected Davis & Shirtliff. Kindly indicate to what extent they have affected D&S. Kindly Select according to appropriate level (A-D) as indicated.

A-Very seriously	B-Seriously	C-Moderately	D-Non at all	
a) Political/Legal Environment		<i>(Kindly tick the appropriate answer)</i>		
Local policies of the region		(A)	(B)	(C) (D)
Increase/decrease in government funding		(A)	(B)	(C) (D)
Leadership politics		(A)	(B)	(C) (D)
b) Economic Environment				
Liberalization		(A)	(B)	(C) (D)
Globalization		(A)	(B)	(C) (D)
Taxes		(A)	(B)	(C) (D)
Infrastructure		(A)	(B)	(C) (D)
c) Technological Environment				
I.T advancement		(A)	(B)	(C) (D)
New innovations		(A)	(B)	(C) (D)
d) Industrial Environment				
Local competition in the industry		(A)	(B)	(C) (D)
Bargaining power of suppliers		(A)	(B)	(C) (D)
Bargaining power of buyers		(A)	(B)	(C) (D)
Threat of substitute products		(A)	(B)	(C) (D)
Threat of new entrants		(A)	(B)	(C) (D)
c) Customer profiles and tastes				
Changes in market requirements		(A)	(B)	(C) (D)
Culture		(A)	(B)	(C) (D)
Product packaging and promotion		(A)	(B)	(C) (D)
Pricing		(A)	(B)	(C) (D)
d) Social Environment				
Population growth		(A)	(B)	(C) (D)
Education level		(A)	(B)	(C) (D)
Floods/ draught		(A)	(B)	(C) (D)

PART C:

1. Has Davis & Shirliff respondent to any of the changing business environment factors identified in question 2 (a)-(d).

YES () NO ()

If YES, kindly list strategic responses which have had a major impact on operations of Davis & Shirliff as a result of the changing business environment.

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2. What were the objectives of these responses?

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3. Which responses listed above have lead to fruitful results, briefly explaining why.

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4. Are you involved in formulation of any of the response strategies highlighted in any of the above questions?

YES () NO ()

If NO, would you be more effective in the implementation of such response strategies?

YES () NO ()

5. Does Davis & Shirliff have a Vision & Mission statement?

YES () NO ()

If yes has this changed over the time you have worked for Davis & Shirtliff?

YES () NO ()

If yes do you think the change was as a result of response to changing business environment?

YES () NO ()

6. Do you consider the various response strategies adapted by Davis & Shirtliff to be proactive or reactive to the changes in the business environment?

REACTIVE () PROACTIVE ()

7. Are there other changes in the business environment according to you that Davis & Shirtliff has not responded to? YES () NO ()

If yes, kindly list changes that Davis & Shirtliff has not responded to

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Appendix two: Authorization to collect data