STRATEGIC RESPONSES BY SIMBA COLT MOTORS KENYA LIMITED TO THE GLOBAL FINANCIAL MELT-DOWN

BY

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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT OF THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

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DECLARATION

This management project is my own work and has not been presented for the award of any diploma or degree in any University.

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

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DEDICATION

This research project is dedicated to my loving wife Rhoda Wanjiru Mahasi for her love and commitment through life and to my parents Mr. Japhetha Imbwana and Mrs. Mary Imbwana for all the support they have accorded me in my academic endeavors.

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ABSTRACT

An understanding of the environment within which organisations exist is quintessential to the survival and success of the organisation. This is so because the external environment determines the uncertainty and complexity with which organisations have to contend. Strategic responses are based on the environmental dependence theory and perspective. Environments are collective and interconnected, and organisations must be responsive to external demands and expectations in order to survive.

Simba Colt Motors (K) Limited was adversely affected by the crisis with the ultimate result/effect of a poor bottom-line triggering a wave of strategic responses. The continuum of influence in organisation/environment relations and the strategic response concept form basis of the statement of the problem for his research paper. The objectives of this research were two fold viz: to establish the effects of the global financial melt-down on Simba Colt Motors Kenya Limited and to determine the strategic responses that Simba Colt Motors Limited adopted towards the effects of the global financial melt-down.

Strategy defines the organisations vision and competitive position while strategic management is a plan of how the organisation can achieve its goals and objectives; it is a commitment of present resources to future expectations. The nature of relationship between organisations and their environment broadly conceptualised along systems theory, supply chain management and control. Strategic responses have been broadly as responses to types of environmental changes and the choice of strategy (voluntary or environmentally induced).

The study adopts a case study research methodology utilizing an interview guide for data collection which is then subject to analysis using content analysis. The findings were that the global financial melt-down affected the financial and operational position (bottom-line) of Simba Colt Motors (K) Limited. In response the company initiated a range of far reaching responses including cost reduction, re-structuring, new products and innovation and acquisition. The effect of the responses was the re-establishment of organisational fit and phenomenal strategic growth and expansion of the group.

In summary, the global financial melt-down presented a number of challenges to Simba Colt Motors (K) Limited resulting in a poor bottom-line. The results of the research revealed the detailed effects including reduction in sales, increase in costs, revised debt covenants and Based on the objectives of the research and the subsequent findings, a number of recommendations including the adoption of modern production philosophies such as Business Process Reengineering (BPR) were made.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Understanding the environment within which businesses operate is very important for running successfully. Because, the environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies. Hence it is important to explore the various components of the business environment and how organisations can position and re-position themselves through strategic planning and strategic response.

An unstable external environment increases the uncertainty and complexity with which an organization must contend. An organization is continually confronted with a variety of new and unexpected problems and opportunities, of which the nature and relevant factors are initially unclear and for which appropriate responses are not immediately obvious. Further, since the environment changes rapidly, responses to today's problems and opportunities may need to be modified or may even be inappropriate or irrelevant to tomorrow's challenges. Under conditions of uncertainty and complexity, the organization must design its structures and processes to be flexible and responsive to changes in customer desires, technology, governmental regulations, and economic conditions.

Historians, notably Kindleberger, have pointed out that financial crises often follow soon after major financial or technical innovations that present investors with new types of financial opportunities, which he called "displacements" of investors' expectations

(Fortune, 2000). Early examples include the south sea bubble and Mississippi bubble of 1720, which occurred when the notion of investment in shares of company stock was itself new and unfamiliar (Friedman and Schwartz, 1963) and the Crash of 1929, which followed the introduction of new electrical and transportation technologies. More recently, many financial crises followed changes in the investment environment brought about by financial deregulation, and the crash of the dot com bubble in 2001 arguably began with "irrational exuberance" about Internet technology (Bernanke, 2008).

1.1.1 The Strategic Response Concept

Strategic planning determines where an organization is going over the next year or more, how it's going to get there and how it will know if it got there or not. The focus of a strategic plan is usually on the entire organization, while the focus of a business plan is usually on a particular product, service or program (managementhelp.org). A response is a set of action or reactionary measures and/or processes geared at mitigating present adverse circumstances or forestalling future anticipated risks. The concept of strategic response may therefore be defined as the process of instituting action and reactionary measures and/or processes geared at mitigating present adverse circumstances or forestalling future anticipated risks to enable an organisation to achieve its long-term objectives.

A firm's strategic response can be broadly classified along two streams. The first stream deals with the response to types of environmental changes (Watzlawick, Weakland & Fisch, 1974) and the second stream deals with the choice of strategy that is, whether the strategic response was environmentally determined or voluntarily chosen (Astley & Van de Ven, 1983). According to both institution and resource dependence perspectives, organisational choice is limited by a variety of external pressures (Friedland & Alford, 1987; Meyer, 1990).

Environments are collective and interconnected (DiMaggio & Powell, 1983), and organisations must be responsive to external demands and expectations in order to survive (Meyer & Rowan, 1977; Pfeffer & Salancik, 1978). For example Rowan's (1982) study of education organisations and Covaleski and Dirsmith's (1988) case study of a University's budgeting system adopted both an institutional system to explore the process of accommodating conflicting institutional demands and constraints. For organisations to respond effectively to the challenges inherent in the environment they need sufficient resources (Pfeffer & Salancik, 1978).

Organic organisation structures have been fronted as the most suitable organisational structures for dynamic environments. Organic organisations have structures that are informal, fluid, and constantly changing to identify and develop responses to new problems and opportunities. Authority and responsibility shifts from one situation to another. Groups are established, complete their work, and disband, and a single employee may belong to several temporary teams at the same time. In organic organizations there is diminished emphasis on superior-subordinate roles in favor of dispersed initiative. Roles, tasks, and responsibilities are not limited by rigid, vertical boundaries of hierarchy for decision-making, communication, coordination, and control (referenceforbusiness.com).

1.1.2 The Global Financial Melt-Down

The financial crisis of 2007–present has been called by leading economists the worst financial crisis since the Great Depression of the 1930s. It contributed to the failure of key businesses, declines in consumer wealth estimated in the trillions of U.S. dollars, substantial financial commitments incurred by governments, and a significant decline in economic activity (Financial Times, 2009).

A credit crunch (also known as a credit squeeze or credit crisis) is a reduction in the general availability of loans (or credit) or a sudden tightening of the conditions required to obtain a loan from the banks. A credit crunch generally involves a reduction in the availability of credit independent of a rise in official interest rates. In such situations, the relationship between credit availability and interest rates has implicitly changed, such that either credit becomes less available at any given official interest rate, or there ceases to be a clear relationship between interest rates and credit availability (i.e. credit rationing occurs).

A credit crunch is often caused by a sustained period of careless and inappropriate lending which results in losses for lending institutions and investors in debt when the loans turn sour and the full extent of bad debts becomes known. The crunch is generally caused by a reduction in the market prices of previously "over-inflated" assets and refers to the financial crisis that results from the price collapse. The following are the steps that led to 2007 /2008 Credit Crunch; US mortgage lenders sold many inappropriate mortgages to customers with low income and poor credit.

The hope was that with a booming housing market, the mortgages would remain affordable. Often there were lax controls in the sale of mortgage products. Mortgage brokers got paid for selling a mortgage, so there was an incentive to sell mortgages even if they were too expensive and high chance of default. To sell more profitable sub-prime mortgages, mortgage companies bundled the debt into consolidation packages and sold the debt on to other finance companies. These mortgage debts were bought by financial intermediaries. Usually sub-prime mortgages would have a high risk assessment rating. But, when the mortgage bundles got passed onto other lenders, rating agencies gave these risky sub-prime mortgages a low risk rating.

In 2007, the US had to increase interest rates because of inflation. This made mortgage payments more expensive. Furthermore, many homeowners who had taken out mortgages two years earlier now faced ballooning mortgage payments as their introductory period ended. This caused a rise in mortgage defaults, as many new homeowners could not afford mortgage payments. The number of defaults caused many medium sized US mortgage companies to go bankrupt.

1.1.3 The Automobile Industry

German engineer Karl Benz, the inventor of numerous car-related technologies, is generally regarded as the inventor of the modern automobile. The four-stroke petrol (gasoline) internal combustion engine that constitutes the most prevalent form of modern automotive propulsion is a creation of German inventor Nikolaus Otto. The similar four-stroke diesel engine was also invented by a German, Rudolf Diesel. The hydrogen fuel cell, one of the technologies hailed as a replacement for gasoline as an energy source for cars, was discovered in principle by yet another German, Christian Friedrich Schönbein, in 1838. The battery electric car owes its beginnings to Hungarian Ányos Jedlik, one of the inventors of the electric motor, and Gaston Planté, who invented the lead-acid battery in 1859 (wikipedia.org).

The vintage era lasted from the end of World War I (1919), through the Wall Street Crash at the end of 1929. During this period, the front-engined car came to dominate, with closed bodies and standardised controls becoming the norm. The pre-war part of the classic era began with the Great Depression in 1930, and ended with the recovery after World War II, commonly placed at 1948 (Setright, 2004).. It was in this period that integrated fenders and fully-closed bodies began to dominate sales, with the new saloon/sedan body style even incorporating a trunk or boot at the rear for storage. Automobile design finally emerged from the shadow of World War II in 1949, the year that in the United States saw the introduction of high-compression V8 engines and modern bodies from General Motors' Oldsmobile and Cadillac brands (Setright, 2004).

The global automotive industry is facing a crisis unlike anything ever seen. Overall annual sales in the United States, based on numbers reported for February 2009, are forecast to fall below 10 million units for the first time in 27 years. This is more than a 30 percent drop in overall sales compared to the previous year. Just a few of the highlights of recent developments: automotive sales for 2008 fell at the fastest rate of the past 34 years; for February 2008, compared to a year earlier, GM was down 48.9 percent, Ford down 40.2 percent, Toyota down 39.1 percent, Honda down 33.5 percent, and Nissan down 54 percent. And the numbers will probably get worse before they get better. The industry that has long been considered the king-pin of all manufacturing has been brought to its knees and is struggling to get up. The impact of the current economy and the current state of the automotive industry is not limited to the Big Three. All manufacturers, foreign and domestic, are being impacted on a global basis (wikipedia.org).

The loss of jobs in the U.S. has been unsurpassed. The Bureau of Labor Statistics reported that in January 2008, 951,200 persons were employed in motor vehicles and parts manufacturing. Employment for January 2009 was reported at 754,100, a loss of 197,100 jobs in just 12 months, or over 20 percent. But motor vehicle and parts manufacturing jobs are not the only jobs impacted. The BLS also reported the loss of an additional 170,000 jobs among vehicle and parts dealers (wikipedia.org).

1.1.4 Simba Colt Motors Ltd

Simba Colt Motors Limited is the flagship business of the Simba Corp. From a modest used-car selling enterprise founded in 1948 by Abdul Karim Popat, the Group's business interests today encompass motor vehicle assembly and distribution, spare parts distribution, banking, hardware supplies manufacturing, real estate, cinemas and film distribution. Simba Colt Motors Ltd, established in 1968, is today a market leader in new vehicle distribution in Kenya.

Simba Colt offers a complete range of passenger and commercial vehicles from Mitsubishi Motors (passenger cars) and Mitsubishi Fuso Truck and Bus Company (light, medium, and heavy commercial vehicles). Models include saloon cars - Galant and Lancer; Passenger 4WDs - Pajero and Outlander; Pick-up models - L200 (single/double cab and 4WD); and light and heavy duty trucks – Canter, FH and Fuso. Simba Colt has leasing and trade-in options to ensure that both corporate and private short to medium term vehicle requirements are met.

In response to the turbulent and volatile conditions in the motor industry occasioned by the global credit crunch, the Simba Colt Group has extensively adopted a diversification strategy. In 2008, the company opened two subsidiary companies; Avis Rent-A-Car and Africa Fleet Management Solutions Ltd. Secondly, the Group has entered into the hospitality industry and is in the process of constructing two luxury hotels in Nairobi in addition to a lodge in the Mara. This diversification process is not just part of the Simba Colt Group's strategic repositioning in the market but ultimately a strategic response to the adverse effects of the 2007/2008 global financial melt-down that saw a host of companies globally lose billions of dollars largely due to concentration. Concentration is the conveyance of an individual's or company's assets in a limited business portfolio.

1.2 Statement of the Problem

Environments are collective and interconnected (DiMaggio & Powell, 1983), and organisations must be responsive to external demands and expectations in order to survive (Meyer & Rowan, 1977; Pfeffer & Salancik, 1978). Organization/environment relationships are reciprocal. An organization's existence may be dependent on its environment, but the opposite may also be true. There is a continuum of influence in organization/environment relations, ranging from the organization's domination of its environment to its domination by the environment. The concept of strategic response may thus be defined as the process of instituting action and reactionary measures and/or processes geared at achieving an environmental equilibrium or fit between the organisation and its environment.

Following the financial melt-down several direct adverse effects were felt by Simba Colt Motors Limited as outlined below. First, new car sales decreased drastically seriously constraining revenues. Secondly, due to diminished spending power by car owners, the frequency of car service reduced. This resulted in reduced revenues from service and parts. Affected seriously by the financial melt-down, Mitsubishi Motors Corporation who supply Simba Colt Motors Limited with new vehicles and parts tightened their payment terms to improve their own cash flows. With reduced revenues and tighter repayment conditions Simba Colt Motors Limited was faced by a poor bottom-line. Strategic response was necessary to stay afloat and ensure a bright future.

Several studies have been carried out on strategic responses of firms to the changes in the environment. Wairegi (2004) found out that changes in an organisations environment necessitate a wide range of far reaching effects that require a lot of resources. Kandie (2001) found out that financial constraints and lack of managerial empowerment can considerably stifle the ability of organisations to respond to environmental changes. Muriithi (2008) recommends that companies scan their immediate environment for survival purposes and institute both strategic and operational measures. Kariuki (2007) had similar findings as Wairegi that resources are essential in instituting far reaching organisational responses to changes in the environment. The general consensus was that firms made adjustments to their strategic variables depending on their uniqueness to ensure survival. None of these studies have addressed issues to do with global financial crises and responses by a new car sales company. The research questions are: Did the credit crunch have any effects on Simba Colt Motors (K) Limited? What were the effects? How did Simba Colt Motors Kenya Limited respond to these effects? What were the results of Simba Colt Motors (K) Limited responses?

1.3 Objectives of the Study

a) To establish the effects of the global financial melt-down on Simba Colt Motors Kenya Limited.

b) To determine the strategic responses that Simba Colt Motors Limited adopted towards the effects of the global financial melt-down.

1.4 Value of the Study

The study will aid in demystifying the whole concept strategic response. There have been varied opinions within the strategic management scholarly spheres regarding the concept of strategic management. One school of thought presented the now invalid argument that strategic management is a static exercise akin to budgeting resulting in three to five year rigid plans that dictate the direction of the organisation. The second school of thought perceives strategic management as an incremental and at best iterative and responsive process. This academic paper proposes the second ideology and is intended at shedding further light on the topic of strategic response.

There is a limited pool of authentic material and information on the subject of strategic management in Kenya today. The study is geared towards adding to the steadily growing body of knowledge on the subject of strategic management in Kenya. This is bound to help strategic management scholars, the corporate world and the government by making accessible authentic and well researched material on the subject of strategic management. Lastly, the subject of the credit crunch is a fairly un-researched and needs thorough and detailed investigation. This paper will give new insight on the concepts and hopefully accelerate interest in Kenya on these critical aspects in the strategic management sphere.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Strategic responses are an off-shoot of strategy and strategic management, as such, strategic responses cannot exist independent of strategy. Strategy is a modern management philosophy widely practiced by most organisations formally or informally. Strategic management and strategy encompass a series of deliberate, rational and pre-meditated current commitment of resources to the future attainment of objectives and goals. Due to uncertainty and risk, unforeseen circumstances can jeopardize the attainment of such goals and objectives necessitating strategic response.

2.2 Strategy

According to Porter (1980) strategy is about competitive position, about differentiating yourself from the point of view of the customer, about adding value through a mix of activities different from those used by competitors (Porter, 1980). Porter (1980) argues that competitive strategy is about being different. He says, it means deliberately choosing a different set of activities to deliver a unique mix of value. The professional field of strategic management distinguishes several different schools, among them the prescriptive and emergent approaches. The authors highlight the distinctions between the rational planning and emergent schools, particularly in regards to issues of epistemology and strategic implementation.

The rational planning school defines an objective in advance, describes where-we-are-now, and uses a prescriptive approach, in which the three core areas – strategic analysis, strategic development and strategy implementation – are linked together sequentially. Chandler (1962) famously argued that organizational structure follows strategy, supposes that strategy is determined centrally and, then, implemented structurally. The emergent approach to strategy formulation has been characterized by trial, experimentation, and discussion: i.e., by a series of experimental approaches rather than a final objective. Emergent strategy is undertaken by an organization that analyzes its environment constantly and implements its strategy simultaneously. Emergent strategy development, is linked with Mintzberg (1991), Brown and Eisenhardt (1998) and Stacey (1996).

According to Mintzberg, strategy is plan and pattern: that is, organizations develop plans for the future and they also evolve patterns out of their past (Mintzberg, 1994).In addition, Mintzberg, an early proponent of emergent strategy, says that a realized pattern which was not expressly intended can emerge. Mintzberg defines emergent strategy as actions taken, one by one, which converged in time in some sort of consistency or pattern. For example, Mintzberg (1994) argues that a firm might gradually acquire diverse businesses until a strategy of diversification emerges. Emphasis upon emergent strategy as an absence of intentions or as emergent despite the intentions. (Mintzberg, 1987) presumes inaction or error in the process of strategic management. We will suggest that strategy can emerge not only from patterns of action, but also from interpretations of meaningful and causal events.

Mintzberg's (1979, 1983) theory identifies five ideal types of organization: simple structure, machine bureaucracy, professional bureaucracy, divisionalized form, and adhocracy. An organization that approximates one of these ideal types is hypothesized to be more effective than other organizations, especially when its context fits the ideal type. For example, Mintzberg's (1979) reasoning suggests that young organizations with simple but dynamic environments and simple technologies will be more effective if they rely on simple structure and internal coordination via direct supervision. These young organizations will be less effective if they rely on bureaucratic structure and internal coordination via formalization or standardization.

A second example of a configurational theory, developed by Miles and Snow (1978), identifies four ideal types of organization: the prospector, the analyzer, the defender, and the reactor. Each of these ideal types is richly described as a unique configuration of contextual, structural, and strategic factors. Miles and Snow posited that at least three of these ideal types the: o prospector, analyzer, and defender were effective forms of organization. Snow and Hrebiniak (1980) found that in most environments organizations classified as analyzers were generally the most effective and that in highly regulated environments reactors were more effective than prospectors or defenders. Smith, Guthrie, and Chen (1989) found that the effectiveness of the different categories was contingent on firm size. Firms classified as defenders performed better when they were relatively small, but firms classified as prospectors performed better when they were relatively large. Hambrick (1983) found that the relative performance of organizations classified as prospectors and defenders varied according to environment and the performance measure by which they were evaluated, but that both could be effective.

2.3 Strategic Management

Strategy to an organisation is, amongst other things, a plan of how the organisation can achieve its goals and objectives (Davies, 2000; Mintzberg, 1996); it is a commitment of present resources to future expectations (Drucker, 1999). The aim of strategic management is to decide on organisational goals, the means of achieving those goals, and ensuring that the organisation is sustainably positioned in order to pursue these goals. Furthermore, the strategies developed provide a base for managerial decision making (Browne, 1994; Porter, 1980; Robbins et al., 2000).

The increasing importance of strategic management may be a result of several trends. Increasing competition in most industries has made it difficult for some companies to compete. Modern and cheaper transportation and communication have led to increasing global trade and awareness. Technological development has led to accelerated changes in the global economy. Regardless of the reasons, the past two decades have seen a surge in interest in strategic management. Many perspectives on strategic management and the strategic management process have emerged.

Chandler was among the first scholars to study strategic management. Chandler (1962) described the development of organisations. Chandler (1962) alluded to the impact that strategies have on the internal organisational environment. Andrews (1971) examined organisations from the perspectives of their internal strengths and weaknesses, and opportunities and threats in the external environment. Andrews' work formed the basis for the 'design school' of strategic management (Barney, 1991; 1995; Browne, 1994; Feurer & Chaharbaghi, 1995).

The design school of strategic management emphasizes the strategic analysis process which focuses on the integration of opportunities with distinctive competences. The internal analysis is used to identify assets (resources) and competences (capabilities) currently possessed by the organisation (Pearce & Robinson, 1994). These will influence the strategic options developed in the next stage of the strategic planning process, as will the external market environment of customers and competitors. Strategies may be developed around existing assets or distinctive competences through matching them with environmental opportunities (Pearce & Robinson, 1994). Alternatively, they may identify new competences that will be acquired, developed and supported. Growth strategies such as product expansion, market expansion, and diversification often require that competences be extended and enhanced to meet environmental opportunities (Aaker 2001).

The Resource Based View of the Firm regards organisations as a broader set of resources (Wernerfelt, 1984). It is a perspective on strategic management with an emphasis on internal analysis, and an attempt to address a perceived imbalance with Porter's (1980; 1985) 'positioning' school (Browne, 1994). As such, it is a complementary aspect of the strategic management process (Henderson & Cockburn, 1994). Porter focused on the analysis of the industry and market that a firm operates in: a predominantly outward looking view, the main thrust of which was the examination of competitive forces, and opportunities and threats present in the external environment (Barney, 1991; Black & Boal, 1994; Grant 1991; Leavy, 2003). The resource based view however, focuses on firm specific resources.

Organisational resources when combined through processes, activities or routines create the firm's capabilities (Grant, 1991). Superior skills and resources on their own are not enough for sustained competitive advantage. The same can be said for superior processes, activities, routines, and capabilities. The combination of resources and capabilities represents 'the collective learning of the organisation' (Hamel & Prahalad, 1990), and it is through learning, through this combination, that sustainable competitive advantage is achieved (Grant, 1991). A firm's ability to learn is one of, if not the most, important capability the firm possesses (Barney, Wright & Ketchen, 2001; Senge, 1990). Its ability to improve skills, learn new skills and create innovative processes is difficult to imitate, and hence provides almost unassailable competitive advantage (Hamel & Prahalad, 1989).

2.4 Environment and Organisation

The business environment encompasses all those factors that affect a company's operations, and includes customers, competitors, stakeholders, suppliers, industry trends, regulations, other government activities, social and economic factors and technological developments (wikianswers.com). Business environment can also be said to be a set of political, economic, social and technological (PEST) forces that are largely outside the control and influence of a business and that can potentially have both a positive and a negative impact on the business (wikipedia.com).

The preoccupation of classical organisational theorists in trying to understand the relationships between environment, organizational structures and processes has been to define and interpret the environment, and to elucidate a typology of organisational responses to the environment either in terms of structural fit and adaptation, strategic choices, or altered organisational processes. Many authors on the subject tend to use, either explicitly or implicitly, the broad distinction between the general environment (political, economic, sociological and technological) (Jurkovich, 1974) and the domain or task environment (Thompson, 1967).

The concept of task environment focuses on 'successful' organisational outcomes as the consequence of action in the sector or niche environment that the organisation inhabits. Equally influential in the papers considered in this review are Emery and Trist's (1965) descriptions of the environment in terms of its stability and uncertainty, and of organisations' placid-randomised or placid-clustered organisational responses to it. Not only do organisations have to be able to define the environment, they also have to be able to interpret it.

The nature of the relationship between organisations and their environment has very broadly been conceptualised in the established literature in terms of different conceptions of the inter-linkages: a systems theory approach; a deterministic approach: of organisations having to adapt to their environment (population ecology models); or, from the perspective that organisations have choices, they 'enact' their environment. System theory approaches have tended to use the analogies of natural systems with input and output models, but Butler and Wilson (1990) developed this concept to better match environmental complexity especially in respect of organisations developing inter-organisational and network strategies (e.g. contracting, co-opting, coalescing with third parties).

Other examples of such approaches are in terms of supply chain management (vertical integration to reduce the power of markets, horizontal integration to control them and the development of cartels to suspend them) and mergers and alliances. This complex relationship has also been conceptualised in terms of the rise and fall of organisations and their life cycles. This is similar to the Population Ecology Model approaches of Aldrich (1979), Hannan and Freeman (1977), and Grinyer and Spender (1979). This approach focuses on the age and size, niche width, population density, prior foundings and failures of an organisation, based on the assumption that an organisation will adapt to its environment. The after-effects of history persist, it is argued (Lawrence, 1984; Selznick, 1957; Stinchcombe, 1965; Zald, 1987), and determine an organisation's future development.

It can also be argued that the strategic choices that organisations make in response to their environment are all about 'fit'. This is the basis of structural contingency theory (Donaldson, 1995) in all its varieties of sophistication (Miles et al., 1978; Porter, 1980), and the way it analyses performance (Dalton et al., 1980; Miller, 1987), interpersonal processes (Lieberson and O'Connor, 1972; Rizzo et al., 1970) and even the more fashionable 'control' options of benchmarking (Camp, 1989) and total quality management (TQM). Hackman and Wageman (1995) tell a story of the hand of the environment being the causal factor in organisational behaviour. Counter-arguments about choice in the face of such determinism are equally sophisticated, recently being refreshed by post-modernism and structuration theory (Alvesson and Willmott, 1992; Giddens, 1979;Hassard and Parker, 1993).

2.5 Strategic Response

A firm's strategic response can be broadly classified along two streams. The first stream deals with the response to types of environmental changes (Watzlawick, Weakland & Fisch, 1974) and the second stream deals with the choice of strategy that is, whether the strategic response was environmentally determined or voluntarily chosen (Astley & Van de Ven, 1983). According to both institution and resource dependence perspectives, organisational choice is limited by a variety of external pressures (Friedland & Alford, 1987; Meyer et al 1983).

Environments are collective and interconnected (DiMaggio & Powell, 1983), and organisations must be responsive to external demands and expectations in order to survive (Meyer & Rowan, 1977; Pfeffer & Salancik, 1978). For example Rowan's (1982) study of education organisations and Covaleski and Dirsmith's (1988) case study of a University's budgeting system adopted both an institutional system to explore the process of accommodating conflicting institutional demands and constraints. For organisations to respond effectively to the challenges inherent in the environment they need sufficient resources (Pfeffer & Salancik, 1978).

Firm's adaptation to environment is a concept borrowed from biology and it relates to a firm's ability to change itself with changes in the environment. It is essentially a part of the evolutionary theory of the firm. Firm's strategic response to continuous environmental changes through adaptation can again be classified as proactive adaptation and reactive adaptation. The modus operandi of proactive adaptation is described by Miles and Snow (1978) as that of the defender, prospector and analyzer strategy. The same is also classified by Mintzberg and Water (1985) as realized, emergent and intended strategy. The reactive strategy on the other hand is classically denoted by Miles and Snow's (1978) terminology of a reactor.

Firms choosing adaptation as the preferred strategic response are characterized by incremental variations (Quinn, 1978; Miles & Snow, 1978; Pfeffer & Salancik, 1979; Mintzberg & McHugh, 1985) in their product – market domain, structure, process & systems and acquisition of human capital. At a higher level, adaptation is characterized by evolution at the firm as well as at the industry level (Hannan & Freeman, 1977, 1984; McKelvey, 1982; Meyer & Rowan, 1977; Scott, 1987; Zucker, 1987; Levinthal 1991, 1997). Evolution is characterized by blind variation with the organizational form and structure and the selection and retention of those variations.

Faced with discontinuous change, firms respond through metamorphosis or turnaround. Firms facing the prospect of a discontinuity normally conform to metamorphosis or transformation which gives the essence of Schumpeter's (1934) creative destruction. An apt example would be IBM's transformation or metamorphosis from a vendor in automated social security machines to the main frame manufacturer to PC vendor and now to a knowledge and solution provider. Thus metamorphosis or transformation is a proactive effort to attain a new fit with the environment. On the other hand, turnaround is applicable to firms who have already faced the shift and after going through some downturn have recovered and attained the fit.

Based on the modus operandi, firm's strategic response through metamorphosis or turnaround can be classified into six groups. They are; First, progression through life cycle stage that is, the evolution from the formation to growth and to maturity of a firm (Kimberley & Miles, 1980). Second, shifts between strategic types that is, a firm, defending its business domain against incumbent and new entrants, becoming a prospector or analyzer that is, proactively starts searching for alternative domains for growth (Miles & Snow, 1978; Barker & Duhaime, 1997). Third, changes in strategic gestalt that is, a firm reconfigures and restructures itself in a way that post restructuring, the firm becomes virtually a new organization with the establishment of new linkages and relations (Khandwalla, 1973; Miller & Friesen, 1982; Barker, 1997; Mone, 1998).

Fourth, technological breakthrough or radical innovation (Tushman & Romanelli, 1985) that alters the existing market structure and leads to the emergence of a new market leader or the demise of the existing leader and or incumbents. Fifth, Utilization of organizational slack positions (Bourgeois, 1981; Nohria & Gulati, 1997) which is again an extension and refinement of the strategic gestalt typology where the firm optimizes its organizational slack to increase its efficiency and effectiveness. Sixth, Changes in decision processes (Fama, 1983; Schwartz, 1985; Jansen, 1990, 2001; Barker et al., 2001; Maheshwari, 2006) where a change is initiated with a change in the decision maker or the top management team for new guidance.

These types of strategic responses are broadly characterized as – quantum speciation, a term, borrowed from biological science, to denote emergence or transformation of the organizational form or its decline (Astley, 1985; Carroll, 1984). Alternatively, they are also characterized by periodic realignment within the firm through retrenchment, repositioning and reorganization (Boyne, 2004). The final characteristic is that of rapid organizational or industry wide transformation akin to creative destruction (Schumpeter, 1950; Barney, 1986). Another element of the strategic response to shift is the introduction of a breakthrough or radical innovation by the firm. Therefore strategic response of firm, for the purpose of this paper is defined as, the process of reestablishing fit with the environment, within existing constraints and opportunities, and through creation of some appropriate deliverables (Argyris & Schon, 1978).

Strategic action is pioneered and effected by members of senior management headed by the CEO. Strategic response plans must cover the key areas of the organisation namely; the products, customers and markets. The plans must address issues of what business should we be in? What positions do we take in terms of corporate social responsibility? What products do we sell and to which markets? What approach do we take to technology development and supply chain management? Strategic responses will be governed by the moderating factors that include the business and regulatory environment (Bruce & Hunt, 1999).

CHAPTER THREE: RESEACRH METHODOLOGY

3.1 Introduction

Research methodology provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of the research project; the samples or groups, measures, treatments or programs, and methods of assignment work together to try to address the central research questions. The research methodology creates a platform that facilitates data analysis hence providing fixity to the research against the temptation to use multiple data analysis techniques that could distort the research findings and conclusions.

3.2 Research Design

The investigation employed a case study research design. A case study is an in depth study of a particular situation rather than a sweeping statistical survey. It is a method used to narrow down a very broad field of research into one easily researchable topic. The case study research design is also useful for testing whether scientific theories and models actually work in the real world. A case study research design was adopted for the research paper because we were seeking to establish the effects of a particular event (the global financial melt-down) on a particular entity (Simba Colt Motors Kenya Limited). Kothari (1990) argues that a case study involves a careful and complete observation of a solid unit, a person, institution, family, cultural group, or an entire community and emphasizes depth rather than breadth of a study.

3.3 Data Collection

This research will used both primary data and secondary data. The secondary data regarding the organisations financial performance (signed accounts), budgets and strategic management plans from organisation's website and internal publications. The primary data was obtained through the use of an interview guide. Strategic responses are spearheaded by top to middle management, our interviews will therefore be restricted to heads of departments and opinion shapers. Simba Colt Motors Limited has the following departmental heads who we interviewed: the Manager Lease department, the Manager Imports department, the Manager Workshop and Parts department, the Manager Human resource/performance management department, the Group Finance Manager and the Manager Legal department.

3.4 Data Analysis

Content analysis was used to analyse the data. Content analysis is done by analysing information in a systematic way in order to come up with some useful conclusions and recommendations from the detailed information about the phenomenon being studied and then trying to establish patterns, trends and relationships from the information gathered. Content analysis systematically describes the form or content of written and/or spoken mater. A basic issue when performing qualitative content analysis is to decide whether the analysis should focus on manifest or latent content.

Analysis of what the text says deals with the content aspect and describes the visible, obvious components, referred to as the manifest content. We focused on the manifest content during data analysis where a classification was developed to record the information. In interpreting the results, the frequency with which a symbol and/or idea appears will be interpreted as a measure of importance. This type of analysis has been used in past studies including Bett (1995), Kombo (1997), Njau (2000), Kandie (2001) and Mutugi (2008).

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Strategic responses and strategic action are initiated, spearheaded and reviewed top management. Consequently we interviewed the departmental managers since they are directly involved in the strategic response process. The respondents all had a clear understanding of the issue of the global financial melt-down as well as the strategic action undertaken in response to the effects of the melt-down. The responses obtained were collated and qualitatively analysed to arrive at meaningful deductions and conclusions as to the effects of the global financial melt-down on Simba Colt Motors (K) Limited and the subsequent strategic responses to these effects.

4.2 Data Analysis

Six respondents, all the departmental heads at Simba Colt Motors (K) Limited, were interviewed. All the respondents interviewed had a thorough understanding of the global financial melt-down. Furthermore, all respondents agreed that the global financial melt-down had significant adverse effects on the company and that the company instituted strategic responses to counter the adverse effects of the global financial melt-down. Table 4.1 below gives a summary of the outcome of the interviews;

Table 4.1 Summary of Interview Findings

Manager	Did the Manager Understand the Crisis?	Did the crisis affect SCM (K) Ltd?	Were there strategic responses?	Were the responses successful?
Lease Department	Yes	Yes	Yes	Yes
Imports department	Yes	Yes	Yes	Yes
Workshop and Parts	Yes	Yes	Yes	Yes
Human Resource/Performance	Yes	Yes	Yes	Yes
Group Finance	Yes	Yes	Yes	Yes
Legal	Yes	Yes	Yes	Yes

Source: Research

The table 4.1 1bove summarizes the interviewees' responses to the various key aspects of the interview. The implication of the findings is that all departmental heads at Simba Colt Motors (K) Limited had a clear understanding of the global financial melt-down, its impact on the company and the range of strategic responses instituted to counter the effects. All respondents agreed that the responses were effective.

Table 4.2 Severity of the effects of the global financial crisis on Key Performance Indicators according to departmental heads

Key Performance Indicator	Lease	Imports	Workshop & Parts	HR & Performance	Group Finance	Legal
Purchase of new motor vehicles	Severe	Severe	Severe	Severe	Severe	Severe
Total sales revenue	Severe	Severe	Severe	Severe	Severe	Severe
Profitability	Severe	Severe	Severe	Severe	Severe	Severe
Rivalry within the industry	Severe	Severe	Not so severe	Not so severe	Not so severe	Not so severe
Operation and other costs	Severe	Severe	Severe	Severe	Severe	Not so severe

Source: Research

Table 4.2 above summarizes the assessment by different respondents of the severity of the global financial melt-down on certain Key Performance Indicators at Simba Colt Motors (K) Limited. All respondents agree that the effect of the crisis on purchase of new motor vehicles, total sales revenue and profitability was severe. However, only the lease and imports managers agreed that the effect of the global financial melt-down of on rivalry within the industry was severe. Only the legal manager was of the opinion that the effect of the global financial melt-down on the operational costs was not so severe.

4.3 The Effects of the Global Financial Melt-down

The findings of our investigation established that all departmental heads (Managers) at Simba Colt Motors Kenya Limited had a thorough in-depth understanding of the global financial melt-down. The findings further revealed that the managers all had knowledge of the effects of the financial melt-down on Simba Colt Motors (K) Limited. The managers were involved in the process of analyzing the effects of the global financial melt-down on the company and strategizing the appropriate responses to counter the adverse effects as well as identify market gaps and opportunities occasioned by the crunch. According to most respondents, the crunch was a wake-up call that forced Simba Colt Motors (K) Limited to think outside the box and has consequently resulted in a stronger group.

The first and most significant effect of the financial melt-down, according to respondents, was reduced sales. Respondents unanimously agreed that direct new car sales and leasing reduced by between 20%-25% for the 2008 year end. Consequently the profits (net earnings) shrunk by an almost similar margin. Secondly, and partly due to the factors above, there was poor performance of the traditional business lines namely new vehicles, service and parts. This scenario forced the company to re-align its strategic plans and strategic thinking outside its traditional scope of business and operations.

Simba Colt Motors (K) Limited is the sole authorized local distributors of Mitsubishi Motors Corporation vehicles and parts. The global financial melt-down hit the industrialized nations hardest resulting in a review of credit terms. Consequently Simba

Colt Motors (K) Limited was forced to repay debts owed to Mitsubishi Motors Corporation within a shorter period of time. Coupled with the fact local debtors were taking longer to pay, the net assets base decreased significantly and cash flows were seriously constrained.

The overall effect according to respondents was a poor bottom-line. Other than the reduced profits, due to poor trading and increased cost of doing business, the company found itself with a weakening balance sheet. The company's reserves were shrinking due to loss making and the inability to issue additional share capital meant the asset base was leaner. Cash flows were on average negative given that the company had higher cash outflows than inflows.

4.3.1 The Competitive Situation Facing New Car Sales

The local new car sales industry has been plagued by problems other than the global financial melt-down. With the liberalization of the motor industry, direct imports and cheap refurbished used cars have posed an immense challenge to the new car sales companies according to respondents. This has forced the local car dealers to become more innovative in their product offering and aggressive in their sales and marketing strategies. There is cut throat competition both amongst authorized new car sales dealers and distributors as well as from the used car dealers.

Other challenges according to the respondents include very high duty levied on new cars. This highly inflates the unit cost of cars sold locally from show rooms making it difficult to sale show room cars. Stringent repayment terms by manufacturers present serious cash flow constraints to local distributors. Finally, according to respondents, cut throat competition coupled with politicized tendering processes for major government and parastatal business puts some players at a disadvantage.

Porter's five forces model draws upon Industrial Organization economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. The liberalization of the profitable auto industry in Kenya opened the doors to import of used cars which threatened survival of the new car sales firms. This posed the threat of new entrants in Porter's matrix. New car sales firms responded by massive lobbying for the imposition of high import duty on direct imports and used cars. These and other taxes which are currently levied by the Kenya Revenue Authority to deter direct imports and make the used cars more expensive thus less competitive. Other barriers to entry include high initial capital outlay for business startup and exclusive dealership contracts that protect dealers from direct imports and other local franchising agreements. This addresses the threat of new entrants.

Intensity of competitive rivalry increased with the liberalization of the motor vehicle industry. However, brand exclusivity and airtight dealership contracts helped the authorized dealers and distributors to remain competitive. Simba Colt Motors Limited has continuously engaged in and improved on competitive sustainable advantage through innovation as well as a powerful competitive strategy and aggressive marketing. The threat of substitute products has been the most difficult for the industry to contain especially in cases where brand loyalty is difficult to maintain. Retail consumers tend to switch between brands of graduate to premium luxury brands with change in social status and as such lock in can best be obtained by excellent customer service and a superior product offering.

Institutional buyers in Kenya are mainly the government and the corporate companies involved in mass promotions and marketing e.g. beverage companies, telecommunications companies etc. All these require large business incentives as well as careful business relations management skills because they have a lot of bargaining power. Suppliers in the motor industry have ultimate bargaining power. Dealers must comply with strict and restrictive agreements to retain their exclusive dealership rights.

4.4 Response strategies

4.4.1 Cost Response Strategies

The cost of doing business at Simba Colt Motors (K) Limited, according to respondents, went up drastically in the three years following the financial melt-down. The cost of debt increased owing to the shrinking of available credit (credit crunch) occasioned by the global financial melt-down. Furthermore, some debt covenants were revised due to market-wide defaults, increased risk and other market factors. In response to this, Simba Colt Motors (K) Limited resorted to stringent cash flow management methods including renegotiating some of its financial obligations terms, aggressive debt collection and basic cost cutting.

Unlike other companies that engaged massive layoffs, Simba Colt resorted to engaging a firm of professional consultants to advice on the appropriate organisation structure. The consultant advised that some key areas were understaffed while some essential areas were overstaffed. The firm responded by hiring to fill in the understaffed areas, re-organisations with some staff going to the newly formed subsidiaries instead of hiring for those areas and attrition. In the attrition process, Simba Colt Motors failed to recruit for positions where the holders either resigned or retired.

Management has laid stronger emphasis on budgeting and formal planning for expenditure with a downward revision of the allowable over expenditure (budget variation) margins. The budget variation margin was capped at 5% down from 10% Monthly debt review meetings also became a priority issue within the first 4 days of the month to enable management to review the bad debts position and the bad debts expenses. Monthly management accounts complete with variance analyses were adopted, refined to aid management in making informed timely decisions regarding the direction and future of the business. Management also put in place austerity measures to reduce wastage and enhance saving on items such as printing, water and electricity. These included sharing information on email instead of printing, switching off lights and air conditioning systems when not being used.

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4.4.2 Product Development and Innovation Response Strategies

Simba Colt Motors (K) Limited was faced diminishing sales due to constrained performance in the consumer cars category. This was predominantly due to the fact that the middle income earners who are key customers for this line were among the worst affected by the global financial melt-down. Corporate clients who account for most of the bulk mass market purchases were instituting cost cutting measures. Consequently, purchase of new units reduced drastically.

In response to this, Simba Colt Motors (K) Limited acquired the exclusive distribution and dealership rights for BMW luxury cars. The concept here was to diversify the product range and penetrate the luxury automobiles niche which has two primary advantages. The first advantage is that the very rich who buy these luxury automobiles will always have a propensity to spend even in very hard economic times. Secondly, the luxury auto market has very high profit margins which make it very attractive. Furthermore, and in keeping with Porter's five forces postulation, there are sufficient barriers to entry in this niche. These include the high capital requirements, customer loyalty and brand exclusivity guaranteed by the manufacturer.

Simba Colt Motors (K) Limited ingeniously diversified into support/complimentary products related to its current operations namely car tracking and vehicle leasing and rentals in 2009. The vehicle leasing and rental through Avis-Kenya, a franchise arrangement with Avis-rent A Car, provides new clients and markets through the new business-line. In addition, the business is an avenue for new car sales as Simba Colt

Motors Limited supplies its subsidiary Kenya Vehicle Rentals Limited, the franchise holder for Avis-Rent A Car with new cars for use in the business at a consideration.

The company diversified its operations into new products and markets. The most remarkable being the entry into the hospitality industry. Simba Colt Motors Kenya Limited is simultaneously constructing three luxury hotels; one in the Mara which is likely to be operation at the end of this year or at the beginning of next year, and two others in Nairobi that are likely to be operational by end of 2011. This project is earmarked at radically redefining the Simba Corp's core business and revenue lines in the near future. The company is in the process of finalizing its regional business offering so as to go regional.

4.4.3 Sales Promotion and Advertising Response Strategies

The sales promotion and advertising response strategies that Simba Colt Motors (K) Limited adopted according to respondents had both short term goals of reversing an adverse current position and the long-term objectives of strategically positioning the entity in future. The approach taken according to respondents was both information systems supported and using the conventional marketing platforms.

First of all, in 2008, Simba Colt Motors (K) Limited enhanced its website appearance and web portal capabilities to allow for and facilitate on-line marketing and e-business. The website comes complete with all product lines, special product offers and other key information. Each major subsidiary developed customized websites to facilitate brand independence and build separate brand identities. Simba Colt Motors Limited also enhanced its electronic media advertisement by increasing its Television advertisement and electronic media presence. The marketing department designed creative prime time advertisements which aired repeatedly on TV to enhance brand recognition, awareness and brand identity in a bid to revamp sales.

Simba Colt Motors Kenya Limited invested in sales promotion campaigns to reach out to the wider market. Notably, and for the very first time since inception, the company had a stand at the Nairobi ASK show in 2009 and 2010 flanked by a host of celebrity figures. This had a tremendous impact according to respondents especially for the then infant Bavaria Auto which is the local distributor and dealer for BMW luxury cars. The company also participated in a joint accident sensitization alongside the Kenya Roads Board, the Government and other stakeholders.

An integrated approach to marketing was unveiled where customers purchasing say a car, are introduced to the company's other products e.g. a customer purchasing a car is introduced to the company's tracking and fleet management solution divisions. The aim of the integrated marketing approach was threefold. First, it was to create a ready market for products and services offered by its subsidiaries. The new companies namely Africa Fleet Management Solutions Limited and Avis-Rent A Car were formed during the economic downturn. It was in Simba Colt Motors Limited's best interest to help them get business in hard times e.g. Africa Fleet would install tracking devices in new cars purchased from Simba Colt.

The second objective of the integrated marketing approach was to create new market for Simba Colt Kenya Limited's mainstream products, cars. For example, Avis acquired most of its fleet from Simba Colt Motors helping them reverse the poor sales. Lastly, the expansion and diversification into new products and markets was part of the Group's corporate expansion strategy. The company head-hunted a topnotch marketing manager from a local leading brand as part of redefining its marketing department and efforts. The group is in the process of developing human resource capacity to meet its projected rise in demand for human capital due to its growth and diversification strategy. The marketing department is being expanded to include hospitality industry experts.

4.4.4 Pricing Response Strategies

Simba Colt Motors (K) Limited adopted a mixed priced equilibrium strategy. The industry wide low new car sales figures triggered a massive price war, as such; the company was forced into a price reduction strategy. Most mass market manufacturers adopted a price reduction strategy. This was cascaded down to the dealers who in turn reduced prices. This would eventually seriously erode profits but stimulate sales. According to respondents, Simba Colt Motors (K) Limited had to play along to thrive. This is in spite of the fact that the cost of doing business had gone up.

To cover for the increased operational and other costs, a premium pricing strategy was adopted for the high end luxury units like the BMW line. An important feature of the mixed priced equilibrium model is that it uses discontinuous demands and predicts that the firms pick their prices from an interval according to some continuous probability distribution function. The result was a profitability stability position supporting sustainable growth and continued investment. The result was the premium pricing of the luxury automobiles and price reduction for the mass market consumer automobiles.

4.4.5 Mergers and Acquisitions Response Strategy

As part of its new products and innovation process, Simba Colt Motors (K) Limited adopted a franchising and acquisition strategy. In 2008, Simba Colt Motors (K) Limited acquired the franchise for Avis-Rent A Car through a wholly owned subsidiary Kenya Vehicle Rental Limited. This diversified the company's product offering, revenue streams as well as providing a ready market for Simba Colt Motors new cars to be used in the rentals and transfers business. The acquisition of a local fleet management solutions company (Orchid Detection Systems) heralded the first bold move in terms of acquisitions. Simba Colt Motors (K) Limited acquired a controlling interest (95%) in Orchid Detection Systems in 2008 as part of its product diversification process under its wholly owned subsidiary Africa Fleet Management Solutions Limited.

The acquisition perfectly complements the integrated marketing approach where buyers of vehicles are introduced to the fleet management solutions offered by Africa Fleet Management Solutions. Simba Colt Motors in branding the subsidiary as Africa Fleet Management Solutions Limited has a vision of expanding the company's operations regionally and eventually to the entire continent. The acquisition of exclusive dealership rights for the BMW luxury vehicles brand under the flagship company Bavaria Auto was also part of the efforts of gaining dominance in the local automobile industry.

4.4.6 Other Response Strategies

Other response strategies according to respondents include conglomeration and rebranding. The company is in the process of changing the identity of the flagship brand from Simba Colt Motors Limited to Simba Corp. The Simba Corp would strengthen the subsidiary brands through brand association while allowing them autonomy to develop as autonomous brands enhancing internal brand competition and rivalry. This not only leads to stronger individual brands but also shields against adverse brand associations e.g. if one brand were to be tarnished, the others would be shielded from the negative publicity associated with the others.

The conglomeration strategy involved the unifying of the sales and leasing businesses under one business unit. Consequently the integrated marketing approach seamlessly worked for the integrated business unit causing phenomenal growth of the leasing department. Secondly, the heavy unit sales department was aggregated with the generators sales department. Finally, the school transport division was merged with the newly acquired Avis-Rent A Car transport business resulting in synergy and the positive exploitation of the learning curve in the transport business.

4.5 Strategic Fit

Strategic response by the firm was earlier defined as, the process of reestablishing fit with the environment, within existing constraints and opportunities, and through creation of some appropriate deliverables (Argyris & Schon, 1978). The strategic responses by Simba Colt Motors Limited were geared at reestablishing fit with the environment then following the global financial melt-down. They were also aimed at establishing fit with an un-certain anticipated future environment. According to our analysis of responses from our interviewees, the strategic responses by Simba Colt Motors (K) Limited to the global financial melt-down were effective and fruitful. The responses helped the company turn around a grim situation and also strategically position itself for a stable outlook in an uncertain and competitive future.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The interview guide was a sufficient tool for data collection purposes as it enabled us to collect requisite relevant data for purposes of the research. We were able to interview all the departmental managers at Simba Bolt Motors (K) Limited as proposed in the research design. The data collected was analysed using content analysis which proved resourceful and adequate for purposes of data analysis enabling us to arrive at the findings summarized below and the conclusions as well.

5.2 Summary

The first objective of the research project was to establish the effects of the global financial melt-down on Simba Colt Motors (K) Limited. The global financial melt-down presented a number of challenges for Simba Colt Motors (K) Limited. The first was reduced car sales which had spiraling effects on the company's profitability. Secondly, the cost of doing business went up due to revised debt covenants and an economic slow-down that necessitated increased expenditure to keep businesses going.

The second objective was to determine the strategic responses by Simba Colt Motors (K) Limited towards the effects of the global financial melt-down. Simba Colt Motors (K) Limited was forced to review the organisation structure necessitating the involvement of a professional services firm of consultants. Manufacturers of Mitsubishi vehicles (Mitsubishi Motors Corporation) tightened repayment terms for Simba Colt Motors (K)

Limited. This coupled with the low sales resulted in constrained cash flows for the company. Ultimately, the company ended up with a negative cash flow statement. The reduced profit position, revised debt covenants, increased bad debts and poor collections resulted in an overall weaker balance sheet. This coupled with the negative cash flow statement resulted in a poor bottom-line for the company.

The cost reduction response strategies were debt renegotiation, basic cost cutting measures, stringent budgeting and adherence to the budgets, review of the organization's structure, aggressive debt collection, staff attrition as well as other company wide austerity measures. The innovation and new product response strategies were; diversification into the luxury automobile market through BMW cars, investment in complementary/support products such as car rentals and vehicle tracking by franchising and acquisition, and divesture into totally new business lines in the hospitality industry.

The sales and promotion response strategies were website enhancement so as to facilitate e-marketing and e-business, brand association, electronic media presence and advertising. The others are sales promotion through public events, integrated marketing and recruiting of a new more dynamic marketing team. The pricing response strategies were mixed pricing equilibrium i.e. Premium pricing for the luxury products and price reduction for the mass market products. Simba Colt Motors (K) Limited adopted franchising, dealership and takeover as the mergers and acquisition response strategies. Other strategies employed by Simba Colt include conglomeration and rebranding to the new Simba Corp corporate outfit.

5.3 Conclusion

The objectives of the research were; to establish the effects of the global financial melt-down on Simba Colt Motors (K) Limited and to determine the strategic responses that Simba Colt Motors (K) Limited adopted towards the global financial melt-down. Based on the data analysis in chapter four and the summary above, we established several effects of the global financial melt-down ranging from financial to operational. The overall effects of the financial melt-down were a reduction in sales, revised debt covenants, increased costs and an overall poor bottom-line. As such we can conclude that objective number one was satisfactorily achieved.

Secondly, we were able to identify a number of response strategies to the effects of the global financial melt-down. The primarily cost reduction response strategies, product development and innovation response strategies, sales promotion and advertising response strategies, pricing response strategies, mergers and acquisitions response strategies and other response strategies. Based on this we conclude that objective number two was satisfactorily achieved.

5.4 Recommendations

In order to make processes and operations leaner and more efficient, Simba Colt Motors (K) Limited should consider business process reengineering. Business process reengineering (BPR) is a business management philosophy and technique that helps organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors. Business process reengineering would facilitate weeding out of redundant and un-productive positions and processes or even products at Simba Colt Motors (K) Limited.

The process would entail analysis and redesign of the organization's core business processes with the aim of achieving dramatic improvements in critical performance measures, such as cost, quality, service and speed. The Group should consider accelerating its regional expansion drive especially now that the window of the east African Common Market Protocol is in open. Market dynamics have it that market pioneers enjoy a less saturated market which guarantees reduced competition and ultimately better growth prospects. Business process outsourcing should be considered for non-core functions such as cleaning, plumbing as well as office and workshop maintenance.

5.5 Implication on Policy and Practice

In chapter one, we identified the value of the study as; demystifying the whole concept strategic response and shedding further light on the topic, adding to the steadily growing body of knowledge on the subject of strategic management in Kenya and lastly researching further on the aspect of the global financial melt-down. The research further in chapter two alluded to the concept of environmental dependence and strategic fit. The work we have done strengthens the environmental dependence theory by identify adverse environmental circumstances to which the organisation (Simba Colt Motors (K) Limited) responds in an effort to attain strategic fit, business continuity and growth.

The literature review has analysed the strategic response concept based on biological and ecological models. The information gathered here is well researched and highly credible and serves to add to the steadily increasing body of knowledge with the strategic management realm in Kenya. The information gathered further strengthens the environmental dependence proposition by drawing our attention to clear pragmatic associations between organisational behaviour and environmental conditions. Information on the financial melt-down, both current and historic, have been collated in the research work hence, further light has been shed on the global financial melt-down ultimately enhancing the available information on the subject.

5.6 Suggestions for Further Research

An industry wide census survey on the effects of the global financial melt-down on the motor industry and the strategic responses by various players in the industry could be conducted. This would facilitate the drawing of generalized conclusions on strategic responses by players in the motor vehicle industry on effects of the global financial melt-down on the motor industry. Other investigations that could be carried would be the strategic responses by other motor vehicle related entities like the parts manufacturing companies to the effects of the financial melt-down. Scholars could also investigate the effects of other financial crises like the Asian financial crisis on the motor industry or other industries.

5.7 Limitations of the Study

There was a challenge of time during the interview process. Most of the managers we interviewed at Simba Colt Motors Limited were quite busy and the time which we had with each of them could not allow for in-depth probing. Secondly, some of the respondents felt some of the detailed information regarding the effects of the global financial melt-down, the responses by Simba Colt Motors (K) Limited as well as the ensuing results were intimate and confidential to the Company. As such in some areas we did not get detailed information.

A unique challenge encountered was based on the environmental dependency theory. Some of the adverse circumstances encountered by Simba Colt Motors (K) Limited occurred in the wake of the over-inflated pump prices in 2007, the post poll chaos in early 2008 and the ensuing economic slow-down. As such it was difficult for some respondents to directly attribute some of the effects to the global financial melt-down. Case study findings and conclusions can be extrapolated to other scenarios and generalized conclusions drawn from them.

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APPENDIX I : AUTHORISATION LETTER

UNIVERSITY OF NAIROBI
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MBA PROGRAM – LOWER KABETE CAMPUS

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P.O. Box 30197
Nairobi, Kenya

DATE...16TH AUGUST 2010

TO WHOM IT MAY CONCERN

The bearer of this letter ....MAHASI JOHN........

Registration No: ....D61/70961/2008........

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

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
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MBA OFFICE
P. O. Box 30197
NAIROBI

APPENDIX II: INTRODUCTION LETTER

To the General Manager,

Simba Colt Motors (K) Ltd,

Mombasa Road Branch,

P.O.Box 48296,

Nairobi Kenya.

RE: INTRODUCTION (MAHASI JOHN-D61/70961/2008)

I write to formally introduce myself (following prior communication) on the subject of the research data for my MBA research project (Strategic responses by Simba Colt Motors Lenya Limited to the Global Financial Melt-Down). I am a final year MBA in Strategic Management student at the University of Nairobi writing my thesis on the above topic. I write this letter to formally request audience with my respondents (departmental managers) to facilitate collection of data on the subject.

Thank you in advance for your kind consideration.

Yours truly,

Mahasi John

APPENDIX III: INTERVIEW GUIDE

Interview guide for Strategic Responses by Simba colt Motors Kenya Limited to the effects of the global financial melt-down

General: Respondents Profile

1. Position held…………………………………………………………………………

2. Number of years of service at Simba Colt Motors (K) Ltd……………………

Section A: Effects of the global financial melt-down at Simba Colt Motors Kenya Limited

1) What is your understanding of the global financial melt-down?

   ……………………………………………………………………………………………

2) Please describe the effects that have been felt at Simba Colt Motors Kenya Limited in the past three years as a result of the global financial melt-down

   ……………………………………………………………………………………………

3) What challenges have these effects posed to Simba Colt Motors Kenya Limited?

   ……………………………………………………………………………………………

4) Please explain the severity of the effects of the global financial melt-down on the following key performance indicators in the industry/company:

   a. Purchase of new vehicles ……………………………………………………

   b. Total sales revenue……………………………………………………………

   c. Profitability……………………………………………………………………

   d. Rivalry within the industry…………………………………………………

e. Operational and other costs……………………………………………………

Has Simba Colt Motors responded to the effects highlighted above?

……………………………………………………………………………………………

Section B: Strategic Responses

1. Operational and other costs

   a. Has there been a change in operational and other costs strategy at Simba Colt Motors Kenya Limited in the last three years following the global financial melt-down?

   ……………………………………………………………………………………………

   b. What were the objectives of the changes in operational and other costs strategy?

   ……………………………………………………………………………………………

c. How have the changes been effected? ……………………………………………………

   d. Please indicate the challenges that were faced by Simba Colt Motors Kenya Limited when making the change? ……………………………………………………

   e. To what extent have the operational and other costs strategies objectives been met?

   ……………………………………………………………………………………………

   f. What is the effect of the operational and other costs strategic response on Simba Colt Motors (K) Limited's bottom-line and asset base??

   ……………………………………………………………………………………………

2. Product Development and innovation

   a. Has there been any product development or innovation at Simba Colt Motors Kenya Limited the last three years following the global financial melt-down?

   ……………………………………………………………………………………………

b. What were the objectives of the product development and innovation?

....

c. How was the process of product development and innovation undertaken?

....

d. Please indicate the challenges that were faced by the organization during the product development and innovation exercise?

....

e. To what extent have the objective of product development and innovation been achieved?

....

f. What is the effect of the product development and innovation strategic response on Simba Colt Motors (K) Limited's bottom-line and asset base?

....

3. Sales promotion and advertising

a. Has there been any promotion and advertising at Simba Colt Motors Kenya Limited in the last three years following the global financial melt-down?

....

b. What were the objectives of the promotion and advertising?

....

c. How was the process of promotion and advertising undertaken?

....

d. Please indicate the challenges that were faced by the organization during promotion and advertising?

....

e. To what extent have the objective of the promotion and advertising been met?

....

f. What is the effect of the promotion and advertising strategic response on Simba Colt Motors (K) Limited's bottom-line and asset base?

....

4. Pricing

a. Has there been any change in product pricing at Simba Colt Motors Kenya Limited in the last three years following the global financial melt-down?

....

b. What were the objectives of the pricing strategy?

....

c. How was the process of price review undertaken?

....

d. Please indicate the challenges that were faced by the organization in the process of price review?

....

e. To what extent have the objective of the price review strategy been met?

....

f. What is the pricing strategic response on Simba Colt Motors (K) Limited's bottom-line and asset base?

....

5. Mergers and acquisitions

a. Have there been any mergers and acquisitions at Simba Colt Motors Kenya Limited in the last three years following the global financial melt-down?

....

b. What were the objectives of the mergers and acquisitions?

....

c. How was the process of merging and acquiring undertaken?

....

d. Please indicate the challenges that were faced by the organization during the merger/acquisition process?

....

e. To what extent have the objective of the mergers and acquisitions been met?

....

f. What is the effect of the mergers and acquisitions strategic response on Simba Colt Motors (K) Limited's bottom-line and asset base?

....

6. Other responses

Have there been other strategic responses adopted by Simba Colt Motors Kenya Limited?

....

Do you consider the strategic responses by Simba Colt Motors Kenya Limited to the effects of the global financial melt-down adequate for the circumstances?

....