RESPONSES BY CEMENT COMPANIES TO THE STRATEGIC CHALLENGES POSED BY COMPETITION IN THE CEMENT INDUSTRY IN KENYA

BY

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other University

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This proposal has been submitted for examination with my approval as the University supervisor

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DEDICATION

This project is dedicated to my late mother, Jedidah Nyawira who dared to believe in my future and gave all she had to make the dream a reality.

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I would like to thank to first and foremost thank the Almighty God for enabling me to come this far, for the gift of life, strength and endurance. Indeed, it has been a very long journey.

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ABBREVIATIONS

ARM	ATHI RIVER MINING
BCL	BAMBURI CEMENT LIMITED
CBK	CENTRAL BANK OF KENYA
EAPCC	EAST AFRICA PORTLAND CEMENT COMPANY
EACPA	EAST AFRICA CEMENT PRODUCERS ASSOCIATION

ABSTRACT

The cement manufacturing industry is a very vital sector in the development of the country. The June 2010 Monthly Economic Review prepared by CBK indicates that Cement consumption has been gradually rising reflecting increased economic activity in the economy. The industry has also seen the entry of two new cement companies which are funded by foreign cement giants. All these factors have therefore posed challenges in the industry and it therefore becomes important to develop strategies that will counter these challenges.

This study sought to find out responses by cement companies to the strategic challenges posed by competition in the cement industry in Kenya. The objectives of the study were to determine strategic response strategies by cement manufacturing firms to competition and to compare strategic responses between multinational cement companies and the indigenous cement companies in Kenya. The study adopted a descriptive design in its methodoly. A census study was used since the population was small. Primary data was collected by questionnaire method. Of the four targeted companies, only three participated and were therefore included in the study namely; Bamburi Cement Company, East African Portland Cement Company, Athi River Mining. Top management individuals of Mombasa Cement Company declined to participate in the stud, hence it was left out of this study.

The result of this study showed that there have been various changes in the industry including increase in demand and entry of other players. The main strategic response that was found to be common between both the multinational cement companies and the indigenous cement companies was expansion of production capacity. All companies studied were found to be involved in expansion of production capacity in order to meet demand and capture more market. Other similar responses included product pricing, packaging of products and new products strategies. The cement manufacturing companies involved in the study had instituted change in the organization in order to respond to competition in the industry. The implementation of change had been successful for most of these companies.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Organizations do not exist and operate in a vacuum; rather they operate within an environment. Organisations are indeed open systems which means that they are influenced and do influence the environment in which they operate in. Unlike in the past, today's environment is not only turbulent and dynamic but also changes in very unpredictable ways. This constantly poses new challenges in the management of modern organisations. All organisations are therefore environment dependent. All organizations are subject to challenges in the industry in which they operate and in order to survive, these organizations have to formulate strategies that will help them respond to the challenges faced.

Organisations being open systems, they react to the changes in the environment by taking actions and steps that not only cushions the organisations against negative forces but also enables the organisation to cash in on any opportunities arising out of the changed environment. These are referred to as response strategies, and they require organisations to adapt their strategy to their operating environment and also involve the re-configuration of internal resources and capabilities to match the adopted strategy. According to Ansoff and McDonnell, (1990), it is imperative for organisations to harness both their tangible and intangible assets in an effort to strike a strategic fit between the environment and their strategy. It is also critical for organizations to constantly monitor the changes in the environment and adjust their strategies to match such changes. It is equally important for organisations to match their capabilities to their strategy in order to stay at the competitive edge.

1.1.1 Response Strategies and the concept of competition

Change is the most striking feature of contemporary business environment. Change is ubiquitous, meaning that it affects every industry, geography and every firm. Given the pervasive nature of change, the key challenge then becomes how to predict and manage the change. Strategic adaptations are changes that take place over time to the strategies and objectives of a firm. Such changes can be gradual, dramatic or even evolutionary. Ansoff (1988) observes that firms must adapt new strategies to new environmental conditions. A changed competitive environment calls for new strategies that in turn call for reformed organizational capability. Different firms respond differently to changing environment, some resorting to changing their products offering, divesting and diversifying, brand rationalization, mergers and take-overs, while others fall back on technology to ensure operational effectiveness.

Grant (2000) notes that the survival and success of an organization is only possible when the organization creates and maintains a match between its strategy and the environment, and also between its internal capability and the strategy. The environment is not only dynamic but also turbulent, discontinuous and unpredictable. Response strategies therefore require organizations to change their strategy to match its environment and also to re-look at their internal capabilities and align them to the strategy. Organizations need to utilise both their tangible and intangible assets to achieve and consistently maintain that strategic fit.

Ansoff and McDonnell (1990) acknowledge that response strategies involve changes to the organizations strategic behaviour. Such responses may take many forms depending on the organisation's capability and the environment in which it operates. A mismatch between an organisation's strategy and its environment leads to a strategy gap, whereas a mismatch between the firm's internal capabilities and its strategy leads to a capability gap. It is therefore imperative for manager's to strike a balance between the organisations strategy, capabilities and external environment. The authors further state that an organization's strategy is supposed to link the organization's capabilities to its operating environment. This is because different types of change have different characteristics and pose varying challenges and opportunities to the organisation and therefore managers need to have the ability to discern this and be able to put in place the right strategies and corresponding capabilities.

One of the key roles of a modern day manager is that of being a predictor and responder of change. Due to the rapid and unpredictable nature of this change, managers will often be required to take some decisive steps in order to stabilize the organization, failure to which the companies survival and continuity is jeopardised.

Responsiveness and flexibility are increasingly becoming important factors determining the success of an organization. Business organizations are currently operating in a global market, where the flow of capital and information is global. Consumer buying patterns are also changing as global marketing is leading to more homogenous buying patterns. The internet has facilitated global shopping where organizations are able to display their product offerings via the World Wide Web (www) and deliver products directly to consumers.

Generally, there are three ways of responding to change and which ultimately, determine the firm’s competitive position. These are: reaction to change, which is a defensive tactic and unlikely to create fresh opportunities but is nevertheless a necessary weapon in managing change in the environment. Managing change also calls for anticipation, which involves gaining sights into what is likely to happen and positioning the organisation for that future. It involves looking ahead into the needs of the global market and lining ahead of time the right resources. However, the most effective way of managing the changes in the environment is by leading change. This means creating the change to which others must react and basically being ahead of change and even changing the rules of the game. For instance, by launching new products, raising industry standards or re-defining customer expectations.

Response strategies by organizations to the changes in the operating environment therefore remain at the core of the business survival and success because it enables organizations to take cognisance of the opportunities and threats posed to them by various environmental changes including competition, and create a competitive advantage by formulating the right strategies to address such changes.

Organisations without exception depend on the environment as a source of inputs in the form of resources and as outlets for their outputs after a transformation (Porter, 1996). Because all organizations are environment serving or dependent, the environment within which companies operate is constantly changing presenting opportunities, challenges and hurdles that a manager must jump at the right time (Mintzberg, 1987). Failure to adapt the organization to its environment leads to a strategic problem evidenced by a mismatch between what the organization offers and what the market demands. In order to achieve their desired corporate goals in the increasingly competitive and interconnected business environment, organizations have found it necessary to engage in strategic management in order to be proactive to the changing environment.

One of the challenges presented by a dynamic environment is increased competition. Competition is indeed a very complex phenomenon that is manifested not only in form of other industry players but also in form of customers, suppliers, potential entrants and substitute products. As Porter (1979) noted, it is prudent for any firm to understand the underlying sources of competitive pressure in its industry in order to formulate appropriate strategies to respond to competitive forces. Firms often respond to such environmental changes through strategic responses and operational responses. Ansoff and McDonnell (1990) view responses as the activities that either the total organization or its building blocks carries out so as to handle change. According to them, the role of the general management in strategic response is about setting the right climate, competence and capacity.

According to Pearce and Robinson (1991), strategic responses are the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. It's thus a reaction to what is happening in the organization's environment. Porter (1980), points out that knowledge of the underlying sources of competitive pressure provides ground work for strategic agenda in action. As Ansoff (1990) noted, strategic responses require organizations to change their strategy to match the environment and also transform or redesign their internal capability to match this strategy. Generic strategies, collaborative strategies, restructuring and diversification constitute strategic responses that should be understood to better understand how firms behave when the environment changes.

Hunger and Wheelen (1996) note that operational responses are concerned with developing and nurturing a distinctive competence to provide and organization with a competitive advantage. They observed that these operational responses include marketing and financial strategies. As they noted, marketing strategy deals with pricing, selling and distribution of a product. They also noted that the key issue here is the trade-off between the desired debt-to-equity ratio and relying on internal long-term financing via cashflows.

1.1.2 The Cement Industry in Kenya

The Kenyan Cement industry has mainly been dominated by Bamburi Cement Company Limited which is a subsidiary of Lafarge Company based in France. The indigenous cement companies in Kenya are Athi River Mining and East African Portland Cement Company Limited. BCL has long controlled over 50 per cent of the market with 41 per cent shareholding in East African Portland Cement. It also controlled 14 per cent shareholding in Athi River Mining until October 2009 when it disposed its shares to a consortium of foreign investors. The company derives tremendous advantages from being part of the Lafarge group, including access to cutting edge technologies for cement manufacture, management and technical support. The second largest player in the industry is Athi River Mining Limited (ARM) which is separated into two distinct divisions; ARM Cement Ltd which concentrates on cement, lime and related products and ARM Minerals and Chemicals for the manufacture and sale of minerals and specialty building and related products. East African Portland Cement Company Ltd (EAPCC) is the third largest cement manufacturer which concentrates on cement only. It is effectively government controlled through a direct government stake and indirectly through National Social Security Fund.

In the past, the demand for cement has outstripped supply, a move that has resulted in a deficit in the East African region. Cement demand historically has been seen to grow at approximately two times of Gross Domestic Product growth. Currently, all the three main cement producers are currently operating at almost 90% capacity utilization rates ahead of capacity expansions planned over the next few years.

Several challenges confront the cement industry which include high cost of electricity due to high tariffs as well as inadequate power supply, costly imported coal, small capacities for clinker and cement production, lobbying for the introduction of concrete roads in Kenya that will require plenty of cement and inadequate support from the government on policy issues. The industry is also confronted by poor quality of power due to interruptions/outages leading to inefficiencies in production systems and breakdowns and high cost of transport caused by dilapidated roads.

The Kenyan cement industry has seen the entry of two new foreign investors who have established cement plants in the country in the recent past. One of this is Mombasa Cement which is a subsidiary of Tororo Cement Company in Uganda and is producing with the help of Taiheiyo Cement Corporation, the largest cement producer in Japan. This foreign based company is equipped with advanced technology which enables it to produce more efficiently hence offering lower prices. The other company is Cemtech Sanghi cement plant in Pokot which is a subsidiary of Sanghi Cement Group of India. Construction of this plant is currently underway with production expected to begin in 2011.

1.2 Statement of Research Problem

The role of the cement companies in the Kenyan economy has increased significantly in the recent past especially due to the growth in the construction industry in the country. According to the Central Bank of Kenya Monthly Economic Review for June 2010, Cement consumption rose by 12.1 percent from 1.0 million metric tonnes in January - May 2009 to 1.2 million metric tonnes in January-May 2010, reflecting increased economic activity in the industry. Cumulative cement output for the first five months of 2010 amounted to 1.4 million metric tonnes, a 9.4 percent growth compared to a similar period in 2009. Growth in cement production has been gradual through the years, reflecting increased economic activity. Cement companies have therefore experienced increased demand and as a result, these companies are increasing their capacity so as to be able to satisfy their customers demand and remain competitive in the market. The study looks into the concept of competition in the cement industry in Kenya and the response strategies adopted by the cement manufacturing companies in the face of this competition.

Various researchers have provided insight into the area of strategic responses to environmental challenges by cement manufacturing companies in Kenya. Magovi (2007) studied response strategies to environmental challenges by firms in the cement industry in Kenya and established that the firms have responded both strategically (long term and organizational wide responses) and operationally (departmental oriented activities) and that these responses are interrelated and must work in harmony to deliver effective results. Kinyua (2007) looked at strategic responses by the cement manufacturing companies in Kenya. His study concluded that the strategic responses that were highly significant for industry players include diversification, marketing, controlling plant and equipment expenditure and restructuring. However, these studies focused on all challenges in general affecting the cement manufacturing industry. This study will go further to study the responses of cement companies to the strategic challenges posed by competition in particular in the cement industry in Kenya. This study will also go further to compare the strategic responses adopted by the indigenous cement manufacturing companies and the multinational cement companies.

1.3 Objectives of the Study

The objectives of this study are:

i. To determine strategic response strategies by cement manufacturing firms to competition.

ii. To compare strategic responses between multinational cement companies and the indigenous cement companies in Kenya.

1.4 Significance of the Study

The findings of this research will be useful to various groups which are:

Cement manufacturing companies in Kenya who will be able to use the findings herein to compare their response strategies to those of the other companies and hence learn from each other.

Strategic management practitioners and business scholars in general will be able to understand strategic responses adopted by cement manufacturing companies in dealing with competition in the industry.

This study will contribute to the body of knowledge on strategic responses by organizations to competition and will be used by academicians as a basis for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the challenges that organisations face as a result of competition in the industry in which they operate and the responses that are adopted by the companies. The environment and how it affects an organization is also brought into light in this section.

2.2 Business Environment

Organizations have entered a new era characterized by rapid, dramatic and turbulent changes. The accelerated pace of change has transformed how work is performed by employees in diverse organizations. Change has truly become an inherent and integral part of organizational life. Organizations operate in an economy that is characterized by greater and more intense competition, and at the same time, greater economic interdependence and collaboration. In a greater competitive marketplace, speed or response time is critical. How organizations respond to customers and other stakeholders or be the first to market may make a significant difference as time is at a premium. Organizations that can develop new technologies faster or can adapt to changes in the market faster are the ones that will survive the competition.

Pearce & Robinson (1997) define a firm's business environment as consisting of all the conditions and forces that affect its strategic options and defines its competitive situation.

There are a number of factors that influence a firm's choice of direction and action and therefore its organizational structure and internal capabilities. The authors argue that the firms do not exist in a vacuum, but rather in an environment, comprised of the internal and external environments. The internal environment is composed of such aspects as the firm's asset base, its organizational configuration, its human resource and other aspects that are within the firm's control in its pursuit of success and sustained profitability.

Firms are environmentally dependent because they source their inputs such as capital, raw materials and human resources from it, and produce their outputs in the form of products and services to it. According to Pearce and Robinson (2000), the external environment is beyond the firms control and affects all firms on an equal scale. It comprises of: the remote, industry and the operating environments. The remote environment consists of the economic, social, political, technological and ecological factors. These present the organization with opportunities, threats and constraints, and therefore ultimately influence the firm's choice of strategy. Industry environment on the other hand comprises of the forces that shape competition in a particular industry. Operating environment comprises the competitive factors that face a firm and influences its ability to Marshall the requisite resources to enable it stay at the competitive edge. These include such aspects as the company's customer base, employees, technology, globalization/consumerism, corporate image and competitive positioning.

Managers are faced with a task of striking a strategic fit between the firm's internal and external environments in order to achieve and sustain a competitive edge. Perhaps the most influential model of business strategy, and one which is readily applicable in an international business environment context, is that by Porter (1980). Porter shows that competition in an industry is influenced by five factors: rivalry among existing firms, threat of new entrants, substitute products, and increased bargaining power of suppliers and buyers. These again influence a firm's choice of strategies.

Ansoff and McDonell (1990) argue that changes in the organizations behaviour are necessary if success in the transformation of the future environment is to be assured. They noted that such changes which touch on the organizations strategy and capability need to be systematically identified through the strategic diagnosis approach. Chandler (1962) and Porter (1998) in their different writings, all concur on the fact that indeed organizations are environment dependent. An organizations success therefore lies in its ability to proactively anticipate and adapt to the changes in the environment. Managers should indeed look beyond the firms immediate surrounding and have an industry wide view, at a global scale.

Porter (1990) explains the concept of dynamic strategic fit. He asserts that, firms create and sustain competitive advantage because of their capacity to continuously improve, innovate ad upgrade their competitive advantage over time. He further describes upgrading as the process of shifting advantages throughout the value chain to more sophisticated types and employing higher levels of skill and technology. Suave (2002) argues that the environment is a critical factor in any organizations success and survival. He further asserts that these environmental forces are very dynamic and interactive such that the impact of any single aspect cannot be wholly disassociated from those of other aspects. The challenge is therefore for managers to devise effective strategies in the face of unpredictability and dynamism of this environment.

The external environment plays a very important role in the growth and profitability of any organization. Indeed, many companies compete on a global scale rather than a domestic front. Therefore, an important factor in the strategic management process of any business is the increasing internationalization of business activity. Aosa (1998) acknowledges that environmental turbulence normally tends to pose challenges to management. According to Ansoff (1990), this turbulence can be defined as the combined measure of the changeability and predictability of the environment.

2.3 The Concept of Strategy

Strategy is about two things: deciding where you want your business to go and figuring out how to get there. The strategy process determines the ongoing development and change in the international firm in terms of scope, business idea, action orientation, organizing principles, nature of managerial work, dominating values and converging norms. Johnson and Scholes (1999) define strategy as "The direction and scope of an organization over the long term; which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and fulfil stakeholder expectations." Rugman (1980) defines strategy for a multinational firm as the long term planning, basically qualitative and pragmatic, which integrates and directs the functional areas into an overall company goal. Mintberg (1987) defines strategy as a plan, ploy, pattern, position and perspective. He asserts that it is a plan that can be defined and followed. As a ploy it can be seen as a move in a competitive advantage game. It is a pattern of consistent behaviour logically throughout, and as a perspective: it is a unique way of perceiving the world. As a position, it is a means of locating an organization in its environment. Mintzberg further argues that strategy making is about changing perspectives and/or positions.

Ansoff (1988) argues that a lot of interest in strategy has been caused by the realization that the firm's environment has become progressively changeable, unpredictable and discontinuous from the past, and as a result, objectives alone are insufficient as decision rules for guiding the firm's strategic re-orientation as it adapts to the changing environment. Porter (1996) defines strategy as the creation of a unique and valuable position involving a different set of activities. This means that, to achieve a unique position, an organization must make tradeoffs in determining what to and what not to in performing activities differently from its rivals. The strategic managers' task therefore, is to have a thorough understanding of the environment they operate in and strike a fit between their strategy and the environment.

According to Grant (2000), strategy is about winning. The external environment influences a firm's decision and performance. Strategy determines how a firm deploys its resources within its environment so as to meet its long-term objectives. For a strategy to be successful, it must be consistent with the firm's goals and values, resources and capabilities, and the external environment. A good strategy enables an organization to effectively match its capabilities with its environment, utilising its strengths to take advantage of opportunities, whilst proactively addressing its weaknesses and countering threats posed by external environment. He further argues that the ability to identify and occupy the attractive segments of an industry is critical to the success of organization.

Cole (1997) defines strategic management as a process, directed by top management, but engaged in throughout the organization, including the involvement of those concerned with satisfying customers' legitimate needs. It ensures the attainment of those fundamental goals through the adoption of adequate decision making mechanisms and the provision of adequate resources for the planned direction of the organization over a given period.

Ansoff and McDonnell (1990) define strategic management as a process through which a firm manages its relationship with the environment in which it operates. It consists of strategic planning, capability planning and management of change. Pearce and Robinson (1991) argue that, strategy can be seen as either building defences against competitive forces, or as the finding of positions in the industry where competition forces are weakest. They acknowledge that strategies that organization pursues have a major impact on its performance relative to its peers.

2.4 Impact of competition on organizations

It has been observed that changes in the external environment including competition have an impact on organisation. Chandler (1962) points out that firms are environment dependent, and changes in the environment shape the opportunities and challenges facing the organization. This understanding is important in defining the firm's objectives and in developing competitive strategy and enhances competitive advantage. This is essential if the organization is to be efficient enough to succeed. Any corporate strategist tries to look for a position in the industry where his company can best defend itself against the forces above or to influence them. To do so, there is need to understand the underlying pressure. This knowledge provides the groundwork for a strategic agenda for action. A firm needs to understand the competitiveness of its industry. Competitive rivalry encompasses all the other contending forces highlighted earlier. However, as Johnson and Scholes (1999) observed, it also considers the market growth rates and the level of differentiation. The most competitive conditions are those in which entry is likely, substitutes threaten, buyers and suppliers exercise control, product differentiation is minimal and the market has matured. They state that the key questions to ask what rivalry is based on, its trend of intensity, and how it can be influenced.

Ansoff (1988) conceptualised the effect of environmental changes on the organizational strategy and capability. He stated that for a given environmental change, an organization must come up with a suitable strategy. He proposed that there has to be a fit between the existing strategy and the prevailing environmental characteristic for the organization to remain successful. He further states that once the strategy has changed to fit with the environment, such a change requires a corresponding change in the internal capability of the firm. But the most important aspect of managing changing environmental conditions is real-time response which refers to the immediate changes that involve internal capability transformation as soon as the environment changes. Despite the strategic plan, informal changes must be undertaken to respond to environmental changes as they happen or are about to happen.

Byars et al (1996) defines a global industry as one in which the strategic position of competitors in major geographic or national markets are fundamentally affected by their overall global position. According to Rugman (1980), global competitive strategy can be defined as the formulation of plans to place the Multinational Corporation (MNC) in a position where it can survive and prosper relative to its global competitors. The successful implementation of such strategy depends on the effective performance of the internal market of the MNC and the resilience of the firm to changes in environmental forces.

Welch & Luostarinen (1988) argue that internationalization is the process of increasing involvement in international operations across borders. The strategy process determines the ongoing development and change in the international firm. In terms of scope, business idea, action orientation, organising principles, nature of managerial work, dominating values and converging norms. The internationalization theme regarding global competition was viewed as the decade's most important area of strategic management research. Porter (1980) suggests that globalization is triggered by distinct environmental factors such as the availability of increased economies of scale, declining national economic and social circumstances and reduced government constraints. Global competition is therefore the battle that companies wage in international markets in order to achieve competitive advantage over one another.

Globalization does call for global strategies, which can be seen as the alternatives chosen by a particular organisation in order to compete in global industries on a worldwide, coordinated basis. Indeed, there are numerous examples of erstwhile multinationals that are rapidly redefining their portfolios and branding to fit into the changed times as the world shrinks and the customer preferences assume a uniform look. Pursuit of competitive advantage has been at the core of most organisations decisions to operate globally. According to Porter (1996), competitive advantage refers to the value a firm is able to create for its customers that exceeds the cost of creating the value. Porter suggests three generic strategies or approaches to achieving competitive advantage which include; product differentiation, cost leadership and focus.

As globalization flourishes, many of the barriers that stopped cross border commerce have fallen, and thus the increased presence of international companies in various countries. Globalization has been used by multinational corporations as an effective competitive weapon. The penetration of foreign markets can help reduce cash flows from a foreign competitor local operations and result to lost opportunities. It is important therefore for Global corporations to understand and take cognisance of the strategic opportunities and threats posed to them in the global markets.

In Kenya today and the world over, businesses have found themselves in a more competitive environment. Organizations are dealing with a more informed consumer whose source of information is only a fingertip away – internet; consumer tastes and preferences are becoming more advanced, movement of capital and other factors of production is freer and at reduced costs. The result is a pressurized organization that has to change its operations, products and service offerings to suit the changing demands. From the aforementioned, it is clear that there is a chance in globalization, albeit it needs to be handled in a practical and clever manner.

2.5 Response Strategies

Hoskison et al (1997) defines a response strategy as a move taken to counter the effects of environmental changes. They assert that these responses are taken by organizations in order to adapt to the changes in the environment. Response strategies consist of action and decisions that result in the formulation and implementation of plans or actions intended at enabling the firm achieve its objectives. Indeed response strategies enable a firm to achieve and maintain a competitive advantage.

Ansoff and McDonnell (1990) argued that response strategies involve changes in the firms' behaviour and actions in an effort to pursue set goals and objectives. Response strategies are necessary ingredients in transforming future environment and ensuring success in a rapidly changing environment. They argue that changes in the environment pose threats as well as create opportunities to the organization, and therefore the organization reacts with strategies to exploit opportunities as well as counter the organization against threats. The choice of response strategies may also be influenced by the speed of changes in the environment, because whereas gradual changes may afford the firm ample time to formulate response strategies, a drastic change in the operating environment may call for faster response. The authors argue that assessment of the environmental threats and opportunities as well as the organizational strengths and weaknesses is key to the development of response strategies. Strategic responses are those choices that organizations make in order to address pertinent issues that arise from internal and external; analysis of the firm. Some of the strategic responses include marketing, restructuring, diversification, integration, cultural change, pricing, new product development, as well as the porter's generic strategies of diversification, cost leadership and focus.

Porter (1980) argued that an organization can enhance its competitiveness in a changing operating environment by adopting any of the three strategies namely, cost leadership, differentiation and focus. According to Porter, cost leadership entails proposing value to the customer based on price. Firms adopting this strategy must however lower their prices without compromising quality. He further argues that production efficiency is important in this strategy in order to keep costs of production low and consequently transfer this cost benefit to the customer in form of lower prices. The author proposes the use of the value chain as a basis of analysing costs because each value activity has its own cost structure. The aim is to ultimately have a cumulative lower cost of performing value activities. Some of the ways firms can gain cost advantage include control of cost drivers, reconfiguration of the value chain including different ways of operation, more efficient designs, products, distribution and marketing of products, acquisition of new raw materials as well as automation.

Lalampaa (2006) argues that the aim of this response strategy is to achieve overall lower costs that other players in the industry without reducing comparable quality. Mugambi (2003) asserts that cost leadership can be achieved by a firm's adopting functional policies and resorting to aggressive construction of efficient scale facilities. He further argues that quality assurance process may also be elaborate to reduce costs of customer delays and cost of error.

Differentiation strategy on the other hand emphasises uniqueness, by creating some features in a product or service that are perceived to be unique and of value to the customer. Differentiation may call for charging of premium prices and therefore the role of the manager is to ensure that the superior performance of the product or service justifies the premium price and also exceed the cost of uniqueness. The strategy is used by non profit organizations when faced with a crowded market. Such firms seek to assert their uniqueness and superiority over rivals. Lalampaa (2006) argues that differentiation strategy strives to achieve industry wide recognition of different and superior products and services as compared to other players. Focus is the third strategy which emphasises personalised attention. It involves the identification of a small client base (niche) and giving specialized attention which leads to loyalty. Porter (1996) argues that focussing in this way; it becomes possible for an organization to dominate chosen areas. A focuser selects a segment or group of segments and tailors a firm's strategy to serve them at the exclusion of others.

2.6 Response to Increased Competition

Firms must adapt their new strategies to new environments. The changes in the competitive environment will require new strategies, which in turn call for reformed organizational capability (Ansoff, 1990). According to Thompson and Strickland (1998), one way to predict future driving forces is to utilise environmental scanning techniques. Such scanning involves studying and interpreting social, political, economic, ecological and technological events in an effort to spot budding trends and conditions that could eventually affect the industry. Environmental scanning raises a manager's awareness of potential developments that could have an important impact on industry conditions posing new opportunities and threats.

Change in the environmental conditions shape a firm's opportunities, challenges and threats. In order for these firms to survive, it is necessary for them to formulate appropriate strategies to respond to competitive forces.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the overall methodology that was used in the study. This includes the research design, population of the study, sample size, sample frame, data collection methods, research procedures and data analysis and presentation.

3.2 Research Design

This study employed a census study of the four cement companies which dominate the cement industry in Kenya. This design was chosen because the objective of the study required an in-depth understanding of the strategic responses adopted by the cement companies to challenges posed by competition in the industry. The responses were also specific to the cement manufacturing companies. The research used a descriptive survey method to assist the researcher to get the general and specific objective of the study which was to establish the responses of cement companies to the strategic challenges posed by competition in the cement industry in Kenya

3.3 Population of the study

The population of the study was the four cement companies in Kenya namely Bamburi Cement Company Limited, East Africa Portland Cement Company Limited, Athi River

Mining Limited and Mombasa Cement Company Limited which dominate the cement industry in Kenya

3.4 Data Collection

Data collection was done through a self-administered questionnaire. These questionnaires were directed to two individuals in top management of each company. These individuals by virtue of their position were thought to be more conversant with the challenges facing their companies and their responses to these companies. The questionnaire was divided into three parts. Part one questions related to general information relating to the respondent and the company. Part two questions related to company and industry information. Part three questions related to challenges faced by the companies and responses to these challenges. Secondary data was also obtained from available records to supplement primary data. This was drawn from the companies' annual reports. This approach has been used successively by Kinyua (2007) and Magovi (2007).

3.5 Data Analysis

The researcher collected qualitative data and used descriptive analysis as the most appropriate method of data analysis. This included the use of proportions/percentages and mean scores where appropriate. The analysed data was presented in form of tables and pie charts where applicable. The researcher analysed the data obtained and focused on those aspects that highlighted the company's response strategies to competition in the industry.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the study on four cement companies in Kenya namely Bamburi Cement Company Limited, East Africa Portland Cement Company Limited, Athi River Mining Limited and Mombasa Cement Company Limited. The Management of Mombasa Cement Company declined to participate in the study, thus it is not included in the analysis and findings. The objective of this study was to determine strategic response strategies by cement manufacturing firms to competition. It also sought to compare strategic responses between multinational cement companies and the indigenous cement companies in Kenya. The data was analyzed using descriptive statistics by use of frequency tables and percentages as shown in the following sections.

4.2 Company and Industry Information

The respondents were asked to indicate the number of years the company has been in operation, the ownership of the company and the company's products. Results are shown in Table 4.1 and 4.2.

Table 4.1: Number of years the company has been in operation

Duration	Frequency	Percent
0 – 5 Years	0	0
5 – 10 Years	0	0
10 – 20 Years	0	0
Over 20 Years	3	100
Total	**3**	**100**

Table 4.1 shows that the three companies that participated in the study were established between 1951 and 2005. As per independent records, the fourth company which declined to participate in the study was established within the five year period preceding the study. This finding suggests an unprecedented rate of setting up cement manufacturing companies in Kenya. This can be attributed to the effects of economic improvement backed up by the growth of the construction industry.

Table 4.2: Ownership of the company

Ownership	Frequency	Percent
Local shareholding only	1	33.3
Local majority shareholding	1	33.3
Foreign majority shareholding	1	33.3
Foreign shareholding only	0	0
Total	**3**	**100**

As shown in Table 4.2, of the three companies that participated in the study, one had a local shareholding only; one had a local majority shareholding while the remaining company had a foreign majority shareholding. This shows that there is foreign investment in the cement industry in Kenya.

The respondents were asked if the companies trade in any other products other than cement. 67% of the companies that participated in the study have diversified into manufacture and sale of other products while the remaining 33% is involved in the manufacture of cement only. This clearly shows that the cement companies are now opting for diversification in their products in order to gain market share. BCL, which enjoys the largest market share, manufactures concrete paver blocks through its subsidiary Bamburi Special Products while ARM is involved in the manufacture of three other products besides cement namely fertilizer, sodium silicate and minerals. The company has been gaining market share gradually over the years.

The importance of strategy is coping with competition and appreciating how a competitive forces shape a firm's business strategy. The respondents were asked to indicate the major competitors of the firms. The results are given in Table 4.3.

Table 4.3: Major competitors

Major competitors	Frequency	Percent
Bamburi Cement Limited	2	33.3
East African Portland Cement	2	33.3
Athi River Mining	2	33.3
Total	**6**	**100.0**

As shown in Table 4.3, it can be seen from the survey that all companies involved in the study are major competitors of each other. This results are in line with industry reports that indicate that though there is cement importation in the country, it is still not at the dire stage of bringing major competition for the cements products manufactured by the companies surveyed (www.nationmedia.com).

4.3 The external environment and challenges faced by the companies

The external environment consists of all institutions and forces that have an actual or potential interest or impact on the organisations ability to achieve objectives. Since the external environment affects an organization in a significant way, it needs to be monitored on a regular basis. The respondents were asked to state the current situation of the external environment. Table 4.4 indicates the current external environment as viewed by the respondents.

Table 4.4: Current external environment

Nature if the environment	Frequency	Percentage
Stable	0	0
Moderately changing	3	100
Unstable	0	0
Total	**3**	**100**

Table 4.4 shows that the companies involved in the study had a similar perspective of the environment in the industry as being moderately changing hence this shows that the companies are aware of the changes taking place and are therefore formulating strategies that will help the company adapt to these changes.

The respondents were asked to identify the changes that had taken place in the cement manufacturing industry from mid 1990s and the change factors. The respondents mentioned that there had been changes in packaging of cement, distribution network, pricing, product demand, and entry of other competitors, improvement in equipment and technology and increase in capacity. The change factors have been outlined in Table 4.5 below.

Table 4.5: Change Factors

Change Factors	Very important	Moderately important	Important	Less important	Not important
	%	%	%	%	%
Need to remain competitive	100.0	0	0	0	0
Threat from competitors	0	66.7	33.3	0	0
Responding to customer needs	0	0	100	0	0
Government directives	0	33.3	66.7	0	0
Technological changes	66.7	33.3	0	0	0
Social cultural factors	0	33.3	66.7	0	0
Economic changes	33.3	33.3	33.3	0	0

It can be seen from table 4.5 that all firms involved in the study indicated that need to remain competitive was very important in necessitating the need to change, while two companies thought threat from competitors was moderately important as compared to the third company which thought this was important. All the three companies thought responding to customer needs was important. 67% of the firms involved thought government directives and social cultural factors were important in occasioning change with the remaining company indicating this as moderately important. Two of the three companies indicated technological changes as very important in occasioning change with the remaining company indicating this as moderately important. Economic changes were considered to be very important, moderately important and important in equal portions in occasioning change.

This part aimed at finding out from the respondents the objectives of change in the organization. Table 4.6 shows the objectives of each company involved in the study.

Table 4.6: Objectives of change in the organization

Objectives of Change	**Frequency**	**Percentage**
To turn around the business	1	33%
To reduce staff	0	0
To improve organization’s competitiveness	2	67%
Total	**3**	**100%**

The objective that was adopted by 33% of the firms involved in the survey was to be profitable while the remaining 67% had the objective of improving the organization’s competitiveness.

The researcher sought to establish whether or not each firm is able to meet the current cement demand in the market and if not why. For ARM, on being asked whether or not it is meeting the market demand for cement, the answer was that demand and supply situation is tight meaning that the position is such that the firm is struggling hard to meet the growing cement demand. The situation is that orders for cement (demand) are piling up and customers place orders for cement and have to wait for a little longer (several days) before their trucks are loaded with cement at the factory that is based at Kaloleni in Mombasa. ARM set production capacity for clinker and cement is 250,000 tonnes and 300,000 tonnes per year respectively based on a 24 hour basis production operation throughout the year. However, this target is not achieved due to mainly regular closures for maintenance activities to be undertaken, repair works and power failures/outages because of poor quality supply.

For EAPCC, the answer to the same question was similar. At EAPCC, the situation is a bit worse due to the same factors as ARM including political interference in the management of the firm because it is a government parastatal. This has affected the implementation of projects meant to expand the cement production capacity as well as the procurement of the critical raw material clinker among others thus making the firm not able to produce what it is capable to produce. Political interference has also led to high turnover of the Managing Director of the firm impacting negatively on the management of the firm. Being a state corporation, procurement of services including raw materials has to go through tender process as per laid down procedures and this process has not been without problems due to what is considered to be vested interests by different parties leading to disputes from parties that have lost in the process. This has affected the procurement of the vital raw materials clinker in particular required for the making of cement. Besides, project implementation is delayed making the supply situation worse that it would have been. Similarly, trucks are made to wait in long queues before loading is done. EAPC has a production capacity of 560,000 tonnes and 700,000 tonnes of clinker and cement respectively but actual production is slightly lower due to several factors as the case at ARM.

BCL had a situation similar to that of ARM whereby demand and supply situation is tight meaning that the position is such that the firm is struggling hard to meet the growing cement demand. The company's set production capacity for clinker and cement is 1,140,000 tonnes and 1,941,000 tonnes per year respectively based on a 24 hour basis production operation throughout the year. The company's Mombasa plant experienced a fire in 2007 and therefore spent part of 2008 doing fire incident repairs. In addition to increased demand, cement milling operations have also increased due to lower incident downtime. Various projects were completed and commissioned in 2009 and these are expected to boost the company's grinding position and increase capacity. These include projects such as the Pozzolana Drier Project which was completed in 2009.

Factors given for the lower production than the capacities in place included closure of the factories for regular maintenance of the machinery that is usually undertaken at certain intervals, poor quality of power due to power interruptions that are caused by poor transmission and outages, inadequate supply of power below what is needed, breakdowns necessitating repairs.

The respondents were asked how important various goals were to the business. This has been summarised in table 4.7.

Table 4.7: Importance of various goals to the business

Goal	Very important	Moderately important	Important	Less important	Not important
Survival in the market	100.0	0	0	0	0
Growth (Gain market share)	66.7	0	33.3	0	0
Profitability	100.0	0	0	0	0
Product & Market differentiation	0	33.3	66.7	0	0
Market development	0	33.3	66.7	0	0
Diversification	33.3	33.3	33.3	0	0

Results in Table 4.7 show that all the respondents considered survival in the market and profitability to be very important goals of the business. 33.3% of the companies considered product and market differentiation and market development to be moderately important while the remaining 66.7% considered it important. Majority of the companies considered gaining market share to be very important while the respondents considered diversification to be very important, moderately important and important in equal proportions.

4.4 Strategic responses to competition in the industry

Strategy helps firms to cope with changes by designing appropriate strategic responses. Successful firms continually scan their environment to identify economic, competitive, political and social changes, which would affect its operations. Strategic responses involve changes to the organization's strategic behaviour. Such responses may take many forms depending on the organizations' capability and environment in which it operates. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. The strategic responses include new products, new markets, new processes, new services and new strategies for attacking the markets. The research sought to find out the strategic responses in the cement industry and these are listed below. Table 4.8 indicates the strategic responses adopted by companies involved in the study.

Table 4.8: Strategic responses

Strategic Responses	Very important	Moderately important	Important	Less important	Not important
	%	%	%	%	%
Packaging of products	66.7	0	33.3	0	0
Diversification of products	66.7	0	0	0	33.3
Marketing strategies	66.7	33.3	0	0	0
Export sales	66.7	33.3	0	0	0
New products strategy	66.7	33.3	0	0	0
New markets strategy	33.3	66.7	0	0	0
Product pricing	100.0	0	0	0	0
Importing of raw materials such as clinker and coal	33.3	66.7	0	0	0
Expansion of manufacturing capacity	100.0	0	0	0	0
Plant and equipment	66.7	33.3	0	0	0
Training staff	0	0	100.0	0	0
Time management	33.3	0	33.3	33.3	0
Review of organization structure	0	66.7	33.3	0	0
Improve inventory policy	0	33.3	66.7	0	0
Overheads – cost reduction	66.7	0	0	0	33.3
Image improvement	0	0	100.0	0	0

Results in Table 4.8 show that there were various strategic responses that were adopted in the industry and these were important to the companies concerned in different degrees. 66.7% of the respondents considered packaging of products very important while the remaining 33.3% considered it to be important. On the part of diversification and cost reduction of overheads, 66.7% of the respondents considered it to be highly important with the remaining 33.3% considering it to be important. Marketing strategies, export sales, new products strategy and plant and equipment was considered very important by 66.6% of the respondents with the remaining 33.3% considering it to be moderately important.

New markets strategy, importing of raw materials such as clinker and coal time management was considered to be very important by one third of the respondents. All the respondents considered product pricing and expansion of manufacturing capacity to be very important and training of staff and image improvement to be important. Review of organization structure was considered to be moderately important by two thirds of the respondents while one third of the respondents considered improving inventory policy to be moderately important. These results are in line with the current situation in the industry since all these companies have invested heavily in the expansion of manufacturing capacity as well as adopting product pricing strategies.

Achieving success in the implementation of change is the ultimate goal in an organization. This means achievement of set objectives and the improvement of operations of the company. The researcher sought to find out the extent of success by companies involved in the survey in implementation of change. The results have been outlined in Table 4.9.

Table 4.9: Success of Responses to Change

Rate of success	Frequency	Percentage
Very successful	1	33.3
Moderately successful	2	66.7
Not successful	0	0
Total	3	100.0

Table 4.9 shows that all the companies involved in the survey had been successful in responding to challenges posed by competition in the market. 33.3 % had been very successful while the remaining 66.7% was moderately successful. This means that the companies had been in a position to respond to challenges posed by competition and therefore be able to compete in the market.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

There are only four cement manufacturing companies in the country and all these had been included in the population of the study. Out of these four companies, only three accepted to be involved in the study. The Kenya Cement Sector Report done by Kestrel Capital (East Africa) Limited indicates that the BCL is leader in the Kenyan market constituting 59% of the total market. EAPCC has 27%, ARM has 8% and Mombasa Cement Limited has 6%.

The factors that necessitated change in the industry include: need to remain competitive, threat from competitors, response to customers' needs and technological changes. The change process has been smooth for most companies since they have reported growth in their profitability. Most of the companies involved in the survey indicated that the main objective was to improve the company's competitiveness.

The companies involved in the study had a similar perspective of the environment in the industry as being moderately changing hence this shows that the companies are aware of the changes taking place and are therefore formulating strategies that will help the company adapt to these changes. There were a number of changes that were reported to have taken place in the cement industry since mid 1990s. The changes, according to this study include changes in packaging of cement, distribution network, pricing, product demand, entry of other competitors, improvement in equipment and technology and increase in capacity.

Strategic responses adopted in the industry were diverse and their importance to the company varied from one company to another. All the companies considered expansion of manufacturing capacity and product pricing to very important. Those that were considered to be highly significant by majority of the players in the industry include packaging of products, diversification and cost reduction of overheads, marketing strategies, export sales, new products strategy and plant and equipment.

Other strategic responses considered important by most of the respondents in the industry include; new markets strategy, importing of raw materials, training of staff, image improvement and review of organization structure. These results are in line with the current situation in the industry since all these companies have invested heavily in the expansion of manufacturing capacity as well as adopting product pricing strategies.

The study indicates that responses adopted by multinational cement companies and the indigenous cement companies in Kenya are very similar. All companies studied were found to be involved in expansion of production capacity in order to meet demand and capture more market. However, the main dissimilarity found between the multinational cement companies and the indigenous cement companies was that of diversification of products. The multinational cement company involved in the study was found to have diversified its cement products with various products being offered in the market. One of the indigenous cement companies has diversified into products not related to cement while the other indigenous cement company has not diversified

5.2 Conclusion

The CBK Monthly Economic Review for June 2010 reports that building and construction was one of the sectors that experienced the most growth at 14.1 percent in 2009 from a growth rate of 8.2 percent in 2008 hence significantly contributing to the 2.6 percent growth in real GDP in the year 2009. The report further indicates that growth in cement production has been gradual and steady through the years, reflecting increased economic activity. The Kenya Cement Sector Report done by Kestrel Capital (East Africa) Limited indicates that demand for cement is expected to maintain a steady growth in the next few years due to growth in the building and construction industry.

There are four players in the cement manufacturing industry and these are Bamburi Cement Company Limited, East Africa Portland Cement Company Limited, Athi River Mining Limited and Mombasa Cement Company Limited. Of these, BCL leads the pack in terms of market share and capacity, followed by EAPCC, ARM and finally Mombasa Cement Company Limited. A new cement company, Cemtech Sanghi cement plant which is a subsidiary of Sanghi Cement Group of India was recently launched in the

Pokot region of Kenya and its completion is anticipated in 2011 and production to begin thereafter. This is expected to intensify competition.

One of the findings of the strategic responses to the challenges posed by competition was expansion of manufacturing capacity. This was in line with other information obtained in the research such as the fact that the companies are operating at an almost full capacity. The companies have therefore planned to increase their capacity so as to increase theirproduction and hence be able to increase their market share hence improve their competitive standing in the market.

The growth of the cement industry in Kenya is set to grow. This is because for all the companies that participated in the study indicated that their response to change was successful. Other factors that favour the growth of the sector include the general developments in the construction industry and the improved economy. The fact that the industry is a key contributor of revenue to the government means that it will enjoy support from the government in its ambitions. Competition has however increased as a result of a new entrant in the industry, Mombasa Cement Company, and this is expected to increase when the new cement plant in construction is completed. Competition is also expected to intensify as the market opens iteslf up with players in the East African region. This will see companies merge as others who will not emerge as low cost leaders will be forced out of industry.

5.3 Recommendations

This part represents the recommendations made for policy and practice and for further research

5.3.1 Recommendations with Policy implications

Cement plays a critical role in the development of a country's infrastructural development. Policies to support the industry and grow further must be put in place. This study found out that the main strategic response to the challenges posed by competition is that of expansion of manufacturing capacity to be able to meet the constantly growing demand. It is therefore recommended that the Government provides the industry with support such as subsidies in the importation of machinery and equipment to facilitate this expansion. This study also found that a major challenge faced by the cement manufacturing companies is that of high cost of production due to factors such as high cost of electricity which results in high prices. All the companies considered pricing strategy to be very important. It is recommended that the industry together with the Government should work together to develop cheaper types of cement that are affordable. This can be done through the use of cheaper sources of power.

5.3.2 Recommendations for Further Research

This study found that the cement manufacturing companies are currently undertaking various initiatives in response to the challenges and also to take advantage of the growth in the industry. It will be advisable for one to study the industry probably after five years to establish the impact of the strategic initiatives being undertaken now. The population of this research was the four cement manufacturing companies that are in operation. However, a new cement plant project, Cemtech Sanghi cement company, was launched recently in Pokot, Kenya. Construction of this company is currently underway with production expected to begin in 2011. The company is expected to boost local production capacity by 24 million bags. This company was not included in the population of the study since it was not in operation at the time of the research. It is therefore also recommended that further research is done to look into the effect of the new company on industry competitiveness upon commencement of operations.

5.4 Limitations of the study

Top management individuals of one of the targeted companies declined completely to complete the questionnaire citing company policy. Consequently, it was left out of this study.

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APPENDIX 1: QUESTIONNAIRE

The cement industry in Kenya is faced with many challenges and top management is taking various responses to ensure that the companies remain competitive in the market. This study is geared towards understanding the challenges facing your firm as a result of competition in the industry and responses being taken to address them.

PART A: GENERAL INFORMATION

1. Respondent's designation...
2. Length of service in the company...
3. Respondent's department...
4. Number of years the company has been in operation?

   0 – 5 Years [ ]

   5 – 10 Years [ ]

   10 – 20 Years [ ]

   Over 20 Years [ ]
5. What is the ownership of the company?

   Local shareholding only [ ]

   Local majority shareholding [ ]

   Foreign majority shareholding [ ]

   Foreign shareholding only [ ]

PART B: COMPANY AND INDUSTRY INFORMATION

1. Does the company manufacture or trade in any other products other than cement?

   Yes [ ] No [ ]

If yes, please specify the products.

....

....

....

2. Who are the company's major competitors (Please list them and state their main competition against you)

....

....

....

3. How would you describe the current external environment for the cement manufacturing industry?

 - Stable [ ]
 - Moderately changing [ ]
 - Unstable [ ]

4. How would you describe competition in the cement manufacturing industry?

 - Weak competition [ ]
 - Strong competition [ ]
 - Very strong competition [ ]

5. Please state any changes that may have happened in the Cement Manufacturing industry in the last 10 years.

....

....

....

6. Please rate the extent to which the following factors occasioned the change. (Please rank them in order of importance: 5 being the most important and 1 being the least important.)

	5	4	3	2	1
Need to remain competitive					
Threat from competitors					
Responding to customer needs					
Government directives					
Technological changes					
Social cultural changes					
Economic changes					

7. What are the objectives of change in the organization?
   - To turn around the business [ ]
   - To reduce staff [ ]
   - To improve organization's competitiveness [ ]

PART C: CHALLENGES AND RESPONSES

1. Is the company meeting the consumer demand for cement in the market?

   If not, why?

   ....

   ....

   ....

2. How important are the following goals in your business? (Please rate them in order of their importance: 5 being the most important and 1 being the least important.)

	5	4	3	2	1
Survival in the market					
Growth (Gain market share)					
Profitability					
Product & Market differentiation					
Market development					
Diversification					

3. How important has each of the following strategic responses been to your firm in responding to the threat of competition in the environment (Please rank them in order of importance: 5 being the most important and 1 being the least important.)

Strategic Responses	5	4	3	2	1
Product and marketing related responses					
Packaging of products					
Diversification of products					
Marketing strategies- constantly improving marketing strategies to create awareness about the product.					
Export sales					
New products strategy					
New markets strategy					
Product pricing					
Operational responses					

Importing of raw materials such as clinker and coal					
Manufacturing related responses					
Expansion of manufacturing capacity					
Plant and equipment expenditure – this includes purchase of advanced equipment for efficiency in production.					
Employee related responses					
Training staff					
Time management – to ensure maximum productivity of employees					
Organizational restructuring					
Review of organization structure to remove inefficient layers which contribute to unnecessary costs.					
Other responses					
Improve inventory policy – adoption of a more stable inventory policy.					
Overheads – immediate and drastic overhead cost reduction forms part of the turn-around strategy.					
Image improvement					

4. Are the responses to competition in the market successful?
   - Very successful [ ]
   - Moderately successful [ ]
   - Not successful [ ]