STRATEGIC RESPONSES TO COMPETITIVE ENVIRONMENTAL CONDITIONS IN THE BEVERAGE INDUSTRY IN KENYA: A CASE STUDY OF NESTLE (K) LTD

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DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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

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DEDICATION

To my family for support and understanding especially to my husband Paul Obiero, who stood by me and supported me both morally and financially during my working on this proposal. And to my son Jesse Kaka, for bringing in light moments to work when required.

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ABSTRACT

In today's fast-changing competitive environment, firms' competitive positions are constantly challenged by the emergence of new technologies, products, markets and competitors. As a result, organizations have to respond strategically to environmental factors in order to be sustainable. Therefore to succeed in the long term, organizations must compete effectively and out-perform their rivals in this dynamic environment. They must find suitable ways for creating and adding value for their customers as competition exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the environment. Firms therefore focus on gaining a competitive advantage to enable them respond to, and compete effectively in the market

The study aimed at determining the responses to competitive environmental conditions in beverage industry in Kenya with emphasis on Nestle (K) limited. In doing so, the study identified the various strategies in which the organisation has put in place in order to remain competitive in the very uncertain market it is operating in consideration of the many challenges it is facing. In trying to determine the objective of the study, the research adopted a case study approach where by five senior employees in Nestle (k) that were engaged at one level or another in strategy formulation and implementation were interviewed and their response analyzed.

The study established that the organisation has undertaken a series of restructuring programmes to make decision making and staff relationship flexible enough to respond to

the challenges that faces the company. This restructuring process involved making the organisation structure much flatter and removing unnecessary bureaucracy in decision making. The organisation as also realized that to achieve their objective and also be competitive enough, they need a well equipped workforce. Towards this end, the organisation has continued recruiting young and dynamic staff that will blend well with the existing staff to provide the much needed stewardship in the turbulent waters it is in. for the strategies to be adopted by all the staff, the organisation has made the process an all inclusive whereby the inputs of all departments is being incorporated. The strategy implementation process of the firm is also being lead by the top management of the organization to give it the seriousness it deserves.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In today's fast-changing competitive environment, firms' competitive positions are constantly challenged by the emergence of new technologies, products, markets and competitors. Flexibility and adaptability have become key management concepts to develop a sustainable competitive advantage, and successful firms apply them in new organizational strategies that put into question many conventional tenets on organizations and their management. These strategies involve a decentralized and responsive work organization, based on co-operative relations not only within the firm but also in its relations with customers, suppliers and competitors. However, firms are also increasingly resorting to traditional market mechanisms through the use of contingent workers and arms'-length subcontracting relations.

1.1.1 The concept of strategy

Strategy is the direction of an organization over the long term, which achieves advantage in the changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson and Scholes, 2003). This means that organizations should provide value to their customers better than their competitors. Strategic planning involves making decisions about the organizations' long term goals and strategies. It is an ongoing activity in which all managers are encouraged to think strategically and focus on the long term,

have a strong external orientation as well be focused on short term-tactical and operational issues. In strategic planning senior management is responsible for the development of the strategic plan. The concept of strategic planning is concerned with where are we now, where do we want to be, how do we get there, who must do what and how are we doing (Bateman and Zeithaml, 2003).

According to Mintzberg (1987), strategy is a plan, ploy, a pattern of behavior, a position in respect to others and a perspective. Strategy therefore specifies the intended course of action of an organization, develops ways to outwit a competitor, is emergent in a process of actions and it is a position in the market. The characteristic of strategy is that it is deliberate as well as emergent. Most organizations began their strategic planning cycle by updating and revising their business objectives in relation to performance reviews in key areas such as people, standards and business development, achieved results and development priorities (Teare *et al.,* 1992). Gole (2005) proposes that strategic management is a process, directed by top management to determine the fundamental aims or goals of the organization, and ensure a range of decisions which will allow for the achievement of those aims or goals in the long-term, while providing for adaptive responses in the short-term. The three core areas of corporate strategy: strategy analysis, strategy development and strategy implementation.

1.1.2 Strategic responses

One of the environmental influences to a business arises from competition. Organizations have to respond strategically to environmental factors in order to be sustainable. Increased competition

threatens the attractiveness of an industry and reduces the profitability of the players (Hamel and Prahalad, 1993). To succeed in the long term, organizations must compete effectively and out-perform their rivals in a dynamic environment. To accomplish this they must find suitable ways for creating and adding value for their customers as competition exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the environment. Firms therefore focus on gaining a competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core strengths, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage (Hamel and Prahalad, 1993). Further, Johnson and Scholes (1997) stated that, core strengths are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.

According to Johnson and Scholes (2002), environmental changes shape opportunities and challenges facing the organization, the paces of technological change, speed of global change mean faster change now than never before thus, the need to constantly adjust according to these changes to remain successful. (Kotler, 1997) stipulated that marketing concept holds that the key to achieving organizational goals lies in determining the needs and wants of the target market and delivering the desired satisfaction more effectively and efficiently than competitors.

This concept has been expressed in many colourful ways among others; the customer is always right, the customer is the king, at your service, your problem is our business, have it your way and you are the boss. A customer therefore is core to an organization and ought to be satisfied

with the products of the organization for it to succeed in an ever changing environment (Kotler, 1997). To survive in the dynamic environment, organizational strategies need to focus on their customers and deal with emerging environmental changes in its operating environment.

1.1.3 The Competitive Environment

All businesses operate as open systems (Pearce and Robinson, 2002). They constantly interact with its environment to survive. Organizations are also environment dependent. They depend on environment for survival. Organizations require money, equipment, human resources, etc from the environment as input. Resources go through transformation process in the company. The finished products as output go to the environment. It is important that the product has to be accepted in the environment for company's success. An organization should be able to maintain the system because any interference spells death for the organization. The firm's environment consists of remote environment, industry environment and operating environment. The organization ought to know how and what to respond to; know whether the action should be proactive or reactive in order to increase market share and safeguard customers. This requires new skills to help counter these challenges in the environment. Failure to align the internal capability of the firm to its environment spells doom for the organization (Aosa, 1992).

According to Porter (1980), managers should be able to isolate particular forces that are potential threats and that will affect how much profits organizations competing in the same industry can expect to make and therefore enable them to come out with appropriate measures to counter them. Operating environment, also called the competitive or task environment comprises factors

in the competitive situation that affect the firm's success in acquiring needed resources or in profitably marketing its goods and services. Firms can be more proactive in dealing operating environment. They include competitors, suppliers and creditors, human resources and customers.

Development of competitive position helps the firm to more accurately forecast both short and long term growth and its profits potential (Pearson and Robinson, 1997). Suppliers and creditors pose dependable relationships between a firm and its suppliers and creditors are essential to the firm's long-term survival and growth. They provide the firm with financial support, services, material and equipments. Human resources are a source of competitive advantage. A firm's ability to attract and hold capable employees is essential to its success. A firm's access to needed personnel is affected by its reputation, local employment rates, and the ready availability of people with needed skills. Customers consume company's products. They are the source of sales revenue. Development of a profile representing present and existing customers improves the ability of managers to plan strategic operations, to anticipate changes in the size of the market and to relocate resources so as to support forecast shifts in demand pattern (Pearce and Robinson, 2002).

Johnson and Scholes (2002), state that environmental changes shape opportunities and challenges facing the organization, the paces of technological change, speed of global communication mean faster change now than never before thus, the need to constantly adjust according to these changes to remain successful. Marketing concept holds that the key to achieving organizational goals lies in determining the needs and wants of the target market and

delivering the desired satisfaction more effectively and efficiently than competitors (Kotler, 1997).

1.1.4 Beverage Industry

The food and beverage industry enjoys high trust ratings 70 to 90 percent in both developed and developing economies. But consumers around the world thought that companies in this sector should improve their performance in health and safety, the environment and sustainability, and ethical business practices. Consumers emphasize three things that a food and beverage company should do to make them more inclined to choose its products over those of competitors: label products clearly with honest information, make them more healthy and nutritious, and reduce waste and pollution in manufacturing. However, these companies must do a better job of publicizing their green efforts.

With a fairly stable consumption level the industry expects increasing spending level in the years to come and its consequent increasing revenue, and more opportunities for companies to grow. While carbonated soft drinks have been dominant core products but in the last two years consumers have changed direction to more health drinks and replaces carbonated soft drinks with bottled water, fruit juices, low calorie and diet drinks. Consequently, manufacturers are forced to adopt brand extensions and introduce new brands and products to withstand their positions within the industry. After having analyzed the competitive environment and its elements, the organization must consider selection of its product market to operate and invest which would reflect on its investment strategies. Strategies then have to be developed and implemented as part

of the business management process rather than isolated departmental strategies (Pearce and Robinson, 2002).

1.1.5 The Nestle Kenya

Nestlé is the world's leading Nutrition, Health and Wellness Company. The organization is committed to increasing the nutritional value of their products while improving the taste. The organization achieve this through their brands and with initiatives like the Nutritional Compass and 60/40+. Since Henri Nestlé developed the first milk food for infants in 1867, and saved the life of a neighbour's child, the Nestlé Company has aimed to build a business as the world's leading nutrition, health and wellness company based on sound human values and principles.

The organization overall strategy is to enhance brand image, change negative affordability perception and improve availability and visibility in retail trade. Nestle company whose headquarters is in Switzerland started its operation in Kenya in 1967 and thereafter made the regional headquarters serving Kenya, Uganda, Tanzania, Democratic republic of Congo, Mozambique Mauritius and Angola. Nestle deals with Baby foods (Nan and Cerelac), Soluble Coffee (Nescafe), Beverages (Milo, Nestle drinking chocolate and Nestea), Breakfast cereals (Cerevita), Chocolate (Kit Kat) and Culinary (Maggi bouillon). Total beverages markets are estimated at 25 bio cups (Not including alcoholic beverages). Tea dominates the hot beverages category by 11.3 bio cups (representing 45% of the total market). Kenya, DRC, Tanzania and Uganda are the biggest tea markets, contributing 70% of the total tea market in East Africa Region, which reflect their contribution to the total population (60% of East Africa Region population). Tea consumption is mainly driven by appeal, availability and affordability.

1.2 Statement of the problem

Organizations have to be able to respond effectively to challenges, both problems and opportunities as they arise (Waverman, 2001). The customer has increasing expectations of service standards and availability. In response, organizations should work towards an outward-focused view of the way services should be provided, a fundamental shift from the traditional focus on internal concerns. At the same time, major opportunities for improvement may arise from developments such as competitive environment, the changing taste of consumers and the availability of additional financial resources. In many cases the response to the problem or opportunity will require the continuous attention of the organization.

For many years coffee has been the most valuable commodity in international trade after petroleum. The coffee sector has had a profound influence on the political, economic and social structure of a large number of countries and is at the same time one of the world's most popular beverages. Coffee beverages compete with a variety of other beverages including tea, carbonated soft drinks, energy drinks, sports drinks, milk, fruit juices, bottled water, vegetable juices, soya beverages, hot chocolate, and low alcohol wine coolers and ciders. The competition in the beverage market has been so intense in the recent past that the sales volume of Nestlé (K) Ltd beverage products has been reducing significantly in the last five years. As a result the beverage division through its flagship Nescafe has had to come out with strategic measures to reverse the worrying trend resulting from the changes in the external environment as well as internal. Several competitors such as Africafe and a range of imported coffee beverages have found their way to the Kenyan shelves posing a big challenge to the local firms such as Nestle.

There have been studies done on competitive responses adopted by certain companies in the past. Gathoga (2001), studied on competitive strategies by commercial banks in Kenya, Kiptugen (2003) established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change, while Atheru (2007) found out that Kenya Meteorological Department did not have adequate capacity to respond to the needs of their customers. However, studies on the competitive responses adopted by beverage industry in Kenya to cope with changes in the environment, has not been done especially in regard to the intense competition witnessed presently. The research will aim to establish the changes that have taken place in the beverage industry and identify the efficacy of the responses adopted by Nestle Kenya to maintain its beverage products competitiveness.

1.3 Research Objective

To determine strategic responses to competitive environmental conditions in beverage industry in Kenya with emphasis on Nestle (K) limited.

1.4 Importance of the study

The study will be of academic value to those interested in beverage industry studies with an aim of establishing a business in the beverage industry since they will be able to understand what to do right to succeed and what if done wrong will bring the business down.

The study will promote strategic thinking among the managers of the company when addressing environmental issues affecting the company. Investors can also gain an insight on the company and its strategic position within the environment, which can assist them in determining their viability of their investments.

For academicians, this study will form the foundation upon which other related and replicated studies can be based on. The study will also provide a platform for future research on competitive responses by firms to changes in their environment and customers needs, both in private and public sectors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter relevant literature has been reviewed on the empirical review of the strategic responses, environmental analysis, SWOT analysis, customer analysis, five competitive forces that shape strategy, assessment of the macro environment, environmental regulations and firm strategy, changing nature of strategic responses and performance in a competitive environment

2.2 Empirical review of strategic responses in organizations

Decisions on competitive factors require a careful evaluation of resources and environmental variables. Resources include all assets, capabilities, organizational processes, attributes, information, and knowledge that enable a firm to define and implement strategies to compete (Porter, 1981). (Barney, 1991) classified these resources into three major categories: physical capital resources, human capital resources, and organizational capital resources. Because of resources limitations, (Skinner, 1974) suggested that it would be difficult to focus on more than one competitive factor at a time in any particular firm or manufacturing facility. Limiting a firm to a single competitive factor is similar to Porter's (1980) assertion that a firm can only choose either cost or differentiation as a basis for competition. The implication of Porter (1980) is that any firm attempting to achieve both cost and differentiation as its competitive factors is almost guaranteed low profitability, (Kotha and Orne, 1989). However, this proposition has been challenged by many world-class manufacturing firms as they simultaneously maintain many competitive factors.

The perception of competitive factors can vary from one level of management to another. (Swamidass, 1986) found that while chief executives emphasized quality and technology, manufacturing managers focused on reducing cost and keeping delivery promises. A mismatch of competitive factors between chief executives and manufacturing managers in the same firm could be a potential problem in the effective use of the manufacturing function.

Porter's (1980) strategic positioning model builds upon the assumption that five forces determine industry attractiveness, i.e., the potential to earn rents. Three forces represent the "horizontal" competitive relationships, namely the rivalry among competing firms, the threat of new entrants and the threat of substitutes. Two other forces reflect the firm's "vertical" linkages with external actors, namely buyer and supplier power. An interesting characteristics of the five forces model is that industry structure, at least when used for strategy prescription at the firm level, is viewed as partly endogenous. This means that there is a reciprocal relationship between industry structure and firm behavior. Entry barriers do not just result from a given industry structure but may be induced or challenged by firms. In this context, the five forces could be seen as the "opportunities-threat" component in a conventional SWOT-analysis (strengths, weaknesses, opportunities and threats).

In contrast, the resource-based view focuses on the "strengths-weaknesses" component of SWOT analysis. It does this by identifying valuable (as perceived by customers), non-substitutable, non-imitable, firm-level competences as the basis of superior performance (Barney, 2001). A resource-based perspective has sometimes also been adopted for purposes of industry-analysis.

Industry capabilities are defined as resources that are shared by incumbents but are not available to outsiders. These include trust relations, and specific ways of diffusing and sharing technological knowledge (Foss, 1997). An integrative perspective has recently been introduced (Teece and Pisano, 1998). In this, dynamic capabilities include special company strengths to cope with the shifting character of the environment. More specifically, this approach focuses on the key role of strategic management in appropriately adapting, integrating and re-configuring company strengths towards changing environments, (Teece and Pisano, 1998, p.193).

2.3 Strategic Responses to environmental conditions

Organizations are environment dependent and serving (Ansoff and McDonell, 1990) note that strategic responses involve changes to organization's strategy behavior to assume success in transforming future environment. Strategy is a bridge between the firm's resources and the opportunities and risks the firm faces in the environment. It incorporates the competitive moves and approaches to deliver the best performance and satisfaction to all stakeholders. The choice of the responses depends on the speed with which a particular treat or opportunity develops in the environment. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining competitive edge. Some of the strategic response may include development of; new products, new markets, new process, new service, new strategies for entering the market, restructuring, marketing, information Technology, leadership and culture change.

2.3.1 Restructuring an organization

Activities within a business value chain are more critical to the success of the business strategy than others. Business process reengineering popularized by consultants (Hammer, 1996) is one popular method. Business process reengineering is intended to regularize a company so that it can best create value for customer by eliminating barriers that create distance between employees `and customers. It involves fundamental rethinking and radical redesign of business process to achieve dramatic improvements for instance, cost, quality service and speed. Reengineering and value orientation have led to downsizing, outsourcing and self management as themes of influencing original structure.

Downsizing is eliminating the number of employee's particularly middle level management. It results to increased self management, larger span control and more work for those that remain. Outsourcing means obtaining work that was previously done by employees inside organization from sources outside the company who can perform better. It is a source of competitive advantage. Activities that can be outsourced include; information processing, various personnel activities, security among others. Restructuring also entails removal of structural barriers and creation of learning organizations capable of continued re-generation from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose of vision (Rugman and Verbeke, 2000).

2.3.2 Leadership and Culture

The potential of changing the culture of a government is influenced by the beliefs of strategic leaders and the extent of strategic need. Leadership is about copying with change (Kotler, 1990).

Leadership has become very important in recent years due to businesses becoming more competitive and volatile. (Pearce and Robinson, 2002), indicates that organizational leadership involves action in first guiding the organization to deal with constant change by embracing change, clarifying strategic intent and shaping culture to fit with opportunities and challenges that change afterwards. Also it entails identifying and supplying the organization with operating managers prepared to preside over leadership and vision (Poynter, 1995).

Organizational culture is a set of important assumptions, often unstated that members of an organization share in common (Whitley, 1999). Organizational culture similar to an individual's personality is an intangible yet ever present theme that provides meaning, direction and the basis of action. Insightful leaders nurture key themes or dominant values within organizations that reinforce the competitive advantages they posses or seek, such as quality, differentiation, cost and speed. Most typical beliefs that shape organizational culture is belief in being the best; belief in superior quality and service, belief in importance of people as individuals and a faith in their ability to make a strong contribution, importance of details of execution and customers should reign supreme.

Total Quality Management is one approach to develop a culture of quality. Total Quality Management ideas and principles focuses on management and continuous improvement of all operations, functions and above all processes of work it is built around an intense focus of customer satisfaction on accurate measurement of every critical variable in business operation, continued improvement of products, services and work relationships based on mutual trust and teamwork (Khanna and Palepu, 1997). An important tool of Total Quality Management is bench

marking whose objective is to identify the "best practices" in performing an activity to learn how to lower costs, have fewer defects or other outcome linked to excellence are achieved.

2.3.3 Information Technology

The computer and developments in Telecommunication are most important aspects of Information Technology (IT) that have transformed business environment and processes. Automation of business processes has led to a drastic improvement in productivity and reduction in costs while Telecommunications has improved the speed with which information is transmitted thus facilitating speedy decision making. IT has become indispensable ingredient in organizations in several strategic to meet challenges of change they include internet, intranets that support business operations and using it in BPR. IT is also used to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry (O'Brian, 2002).

2.3.4 Concept of Marketing

Marketing can be defined as a societal process by which individuals and groups obtain what they need and want in through creating, offering and freely exchanging products and services of value with others (Kotler, 2000). It can also be defined as the process of planning and exercising the concept of pricing, promotion and Distribution ideas, goods and services to create exchanges that satisfy individual and organizations objectives. Marketers' argue that the company assets have little value without the existence of customers. The key company task therefore is to attract and

retain customers. Customers are attracted through competitive superior offering and retained through satisfaction. A marketer's task is to develop a superior offering and deliver customer satisfaction. Organizations therefore need to embrace marketing concepts that rest on five pillars namely; marketing focus, integrated/coordinate marketing, profits and competition (Boddewyn, 1998).

The company must define the boundaries of its markets. It should know those customers that are members of their market. This can be done through a process known as segmentation. The company should determine the needs and wants of the customers from the customers' point of view but not the company's (Kotler, 2000). Customers' needs must be identified and satisfied as these results into customer loyalty which is a source of company goodwill. The marketing function, where the various marketing functions such as advertising, marketing research, sales and branding must work together. They must be well coordinated from the customer's point of view.

There should be a company-wide orientation where marketing must be embraced by all other departments. They must think customer. Marketing is not a department but rather a company-wide orientation. Teamwork must be fostered among all departments. This requires the practice of internal as well as external marketing. Whereas the latter is directed at people outside the firm, the former is the task of hiring, training and motivating employees to serve customers well. Internal marketing must strengthen external marketing. Managers must consider customers as the true profit centers hence adopt a modern organizational chart. The ultimate purpose of the marketing concept is to help organizations achieve their objectives (Kotler, 2000). In the case of private firms, the major one is profit. However, they should aim for profits through customer

satisfaction. The concept recognizes the existence of competition. However, a company should offer superior customer value. It should serve customers better than competitors.

Most companies do not embrace the marketing concept until driven to it by circumstances. Various events forcing companies to adopt the market concept includes sales decline and slow growth in sales forces some companies to search for new markets. Most companies therefore realize they need marketing skills to identify new opportunities and to address the issue of changing buying patterns where most companies operate in markets characterized by rapidly changing customer needs. Such companies need more marketing know-how if they are to track buyers' changing values (Kotler, 2000). Increasing competition also force complacent companies to think about marketing. A number of strategic marketing variables can be manipulated in response to a changing competitive situation. They include adjusting of target market, diversification and development of new product, distribution changes, advertising, promotion and establishment of relationship market.

Business Strategic Analysis models help the business answer the question how to succeed in the market place. A choice has to be made among various strategic options. The strategic option chosen must be one that will enhance the organizations competitive position (Ansoff and McDonell, 1990). The company may chose to employ market penetration by serving the present market with present products. The company will concentrate on protecting and building the market share. Product development strategy will entail serving the present market with new products using existing and new competencies and diversification. Market penetration strategy is used where the company decides to enter into new markets with present products. It may de identifying mew product uses, or identifying new segments or new territories to serve.

Diversification strategy is employed where the company decides to enter new markets with new products. This is the most challenging zone for a company to operate in. Success will depend on use of both existing and new competencies.

2.4 SWOT Analysis

The external environment has to be scanned in effort to gauge trends and conditions that could eventually affect the industry and adapt to them (Thompson and Strickland, 1993). Failure to do leads to serious strategic problem characterized by maladjustment of organization output and demands of the external environment (Ansoff, 1993). Strategic Management focuses on the environmental assumption of winning market shares (Burns, 2000). SWOT analysis is therefore a systematic identification of these factors in internal environment and external environment (remote, industry and operating) and the strategy that reflects the best match between them.

The SWOT analysis addresses the question: Where are we now? This is the second most important question to be asked in the strategic planning process. It is difficult to move to where one wants to be if the current position is not known. The purpose of situation analysis is to understand the organization's present situation and some extent its background i.e. where it has come from and how it has come to the present. SWOT analysis is based on the assumption that an effective strategy maximizes a business strengths and opportunities but at the same time minimizes its weakness and threats. This simple assumption if accurately applied has a powerful implication for successfully choosing and designing an effective strategy (Johnson et al, 2008).

2.5 Forces that shape competition

Porter (1980) argues that competition in an industry is determined by its basic underlying economic structure. He suggests that awareness of the five forces that competitive environment can help a company understand the structure of its industry and take out a position that is more profitable and less vulnerable to attack. These five competitive forces are as follows:

2.5.1 The threat of substitutes

A substitute performs the same or a similar function as an industry's product by a different means. Sometimes, the threat of substitution is downstream or indirect, when a substitute replaces a buyer industry's product. Substitutes are always present, but they are easy to overlook because they may appear to be very different from the industry's product. When the threat of substitutes is high, industry profitability suffers. Substitute products or services limit an industry's profit potential by placing a ceiling on prices. If an industry does not distance itself from substitutes through product performance, marketing, or other means, it will suffer in terms of profitability—and often growth potential (Porter, 1985).

Substitutes not only limit profits in normal times, they also reduce the bonanza an industry can reap in good times. The threat of a substitute is high if: It offers an attractive price-performance trade-off to the industry's product. The better the relative value of the substitute, the tighter is the lid on an industry's profit potential, or the buyer's cost of switching to the substitute is low (Porter, 1980). Switching from a proprietary, branded drug to a generic drug usually involves

minimal costs, for example, which is why the shift to generics (and the fall in prices) is so substantial and rapid. Strategists should be particularly alert to changes in other industries that may make them attractive substitutes when they were not before. Of course the substitution threat can also shift in favor of an industry, which bodes well for its future profitability and growth potential (Stalk, 1992).

2.5.2 The power of buyers

Powerful customers can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability. Buyers are powerful if they have negotiating leverage relative to industry participants, especially if they are price sensitive, using their clout primarily to pressure price reductions. As with suppliers, there may be distinct groups of customers who differ in bargaining power. A customer group has negotiating leverage if: there are few buyers, or each one purchases in volumes that are large relative to the size of a single vendor. Large-volume buyers are particularly powerful in industries with high fixed costs, the industry's products are standardized or undifferentiated, buyers face few switching costs in changing vendors and buyers can credibly threaten to integrate backward and produce the industry's product themselves if vendors are too profitable. Producers of soft drinks and beer have long controlled the power of packaging manufacturers by threatening to make, and at times actually making, packaging materials themselves (Porter, 1985).

A buyer group is price sensitive if: the product it purchases from the industry represents a significant fraction of its cost structure or procurement budget, the buyer group earns low profits,

is strapped for cash, or is otherwise under pressure to trim its purchasing costs, the quality of buyers' products or services is little affected by the industry's product, the industry's product has little effect on the buyer's other costs. Here, buyers focus on price. Conversely, where an industry's product or service can pay for itself many times over by improving performance or reducing labor, material, or other costs, buyers are usually more interested in quality than in price (Kotler, 1997).

Most sources of buyer power apply equally to consumers and to business-to-business customers. Like industrial customers, consumers tend to be more price sensitive if they are purchasing products that are undifferentiated, expensive relative to their incomes and of a sort where product performance has limited consequences. The major difference with consumers is that their needs can be more intangible and harder to quantify. Intermediate customers, or customers who purchase the product but are not the end user, can be analyzed the same way as other buyers, with one important addition. Intermediate customers gain significant bargaining power when they can influence the purchasing decisions of customers downstream. Producers often attempt to diminish channel clout through exclusive arrangements with particular distributors or retailers or by marketing directly to end users. Component manufacturers seek to develop power over assemblers by creating preferences for their components with downstream customers (Kotler, 1997).

2.5.3 The power of suppliers

Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants. Powerful suppliers, including

suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices. Companies depend on a wide range of different supplier groups for inputs. A supplier group is powerful if: It is more concentrated than the industry it sells to, the supplier group does not depend heavily on the industry for its revenues, industry participants face switching costs in changing suppliers, suppliers offering products that are differentiated, there being no substitute for what the supplier group provides and the supplier group being credibly threatened to integrate forward into the industry. In that case, if industry participants make too much money relative to suppliers, they will induce suppliers to enter the market (Porter 1980).

2.5.4 Rivalry among existing competitors

Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry. The degree to which rivalry drives down an industry's profit potential depends on the intensity with which companies compete and on the basis on which they compete. The intensity of rivalry is greatest if: Competitors are numerous or are roughly equal in size and power, industry growth is slow, exit barriers are high, rivals being highly committed to the business and have aspirations for leadership especially if they have goals that go beyond economic performance in the particular industry, firms cannot read each other's signals well because of lack of familiarity with one another, diverse approaches to competing, or differing goals (Porter, 1980).

The strength of rivalry reflects not just the intensity of competition but also the basis of competition. The dimensions on which competition takes place, and whether rivals converge to compete on the same dimensions, have a major influence on profitability. Rivalry is especially destructive to profitability if it gravitates solely to price because price competition transfers profits directly from an industry to its customers. Price cuts are usually easy for competitors to see and match, making successive rounds of retaliation likely. Sustained price competition also trains customers to pay less attention to product features and service (Kotler, 2000).

Price competition is most liable to occur if: Products or services of rivals are nearly identical and there are few switching costs for buyers, fixed costs are high and marginal costs are low, capacity must be expanded in large increments to be efficient, the product is perishable. Competition on dimensions other than price is on product features, support services, delivery time, or brand image, for instance—is less likely to erode profitability because it improves customer value and can support higher prices. Also, rivalry focused on such dimensions can improve value relative to substitutes or raise the barriers facing new entrants. While non price rivalry sometimes escalates to levels that undermine industry profitability, this is less likely to occur than it is with price rivalry (Kotler, 2000).

Porter (1980) observes that, the dimensions of rivalry are whether rivals compete on the same dimensions. When all or many competitors aim to meet the same needs or compete on the same attributes, the result is zero-sum competition. Here, one firm's gain is often another's loss, driving down profitability. While price competition runs a stronger risk than non price competition of becoming zero sum, this may not happen if companies take care to segment their

markets, targeting their low-price offerings to different customers. Rivalry can be positive sum, or actually increase the average profitability of an industry, when each competitor aims to serve the needs of different customer segments, with different mixes of price, products, services, features, or brand identities. Such competition can not only support higher average profitability but also expand the industry, as the needs of more customer groups are better met. He further argues that, the opportunity for positive-sum competition will be greater in industries serving diverse customer groups. With a clear understanding of the structural underpinnings of rivalry, strategists can sometimes take steps to shift the nature of competition in a more positive direction.

2.5.5 Threat of entry

New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition. The threat of entry, therefore, puts a cap on the profit potential of an industry. When the threat is high, incumbents must hold down their prices or boost investment to deter new competitors. The threat of entry in an industry depends on the height of entry barriers that are present and on the reaction entrants can expect from incumbents. If entry barriers are low and newcomers expect little retaliation from the entrenched competitors, the threat of entry is high and industry profitability is moderated. It is the threat of entry, not whether entry actually occurs, that holds down profitability (Porter, 1980).

2.6 Performance in a competitive environment

Firm strategy is the fundamental basis by which firms move towards the preferred position in the framework (Whitley, 1999). Firms in a competitive institutional environment have two strategic options: firstly, they may compete with rivals through the more traditional market mechanisms, on the basis of elements such as price, product and quality. Such competitive strategies are captured by existing strategy paradigms, such as Porter's (1980) framework. These can generally be referred to as market competition strategies. However, firms opting to compete on such elements must also take into account the competitive edge of their rivals. In addition to this, firms may compete for the benefits of the institutional environment, by aiming primarily to change their position within the framework (Khanna and Palepu, 1997).

Such strategies are defined as institutional strategies. Firms would therefore follow market competition strategies to maintain their positions within the framework and institutional competition strategies to move within the framework towards the preferred position. Four types of strategies are available to firms in a competitive institutional environment: Market competition strategies including dominant market competition and niche market competition, institutional competition strategies, including institutional competition for support and institutional competition on governance (Langlois et al, 1990).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the proposed research design, data collection and the techniques for data analysis that will be used.

3.2 Research Design

The study is modeled on a case study design. Kothari (1990), defines a case study as a powerful form of qualitative analysis and involves careful and complete observation of a social unit be it a person, family, cultural group or an entire community and/or institution. The study focused on responses to competitive environmental conditions in beverage industry with emphasis on Nestle Kenya limited. The results are expected to provide an insight in understanding how the company responds to the competition existing in the environment in which it operates.

3.3 Data Collection

The study used both primary and secondary data; these were collected through face to face interview by the researcher. An interview guide was used to collect data on responses to competitive environmental conditions in beverage industry. The content of the interview guide was divided into three sections which covered the departmental activities namely; background

information, strategic responses in Nestle (K) Ltd and strategic response challenges. The respondents were to consist of six members of management team and the Business development Managers of Nestle Kenya limited. These respondents are involved in formulation and implementation of organization's strategies. The Business Manager is involved in overseeing the implementation of policy issue. Secondary data was collected from organization's documents such as annual reports, strategic plan and end term evaluation.

3.4   Data Analysis

The data collected was qualitatively analyzed by use of content analysis techniques. The information was analyzed and evaluated to determine their usefulness, consistency, credibility and adequacy. The content analysis technique was used because it assists in making inferences by systematically and objectively identifying specific messages and then relating them with their occurrence trends. Similar studies in the past like those done by Kandie (2001), Armule (2003) and Njuguna (2009) used this technique of content analysis to analyse data collected from a case study.

CHAPTER FOUR: DATA ANALYSIS, DISCUSSIONS AND INTERPRETATION OF FINDINGS

4.1: Introduction

The research objective was to determine the strategic responses to environmental conditions in Nestle (K) Ltd and identify the challenges that affect the firm in implementing the strategic responses. The respondents selected were six from appropriate departments that are concerned with strategy development and implementation in the organization.

4.2 The Respondents Profile

This section of the interview guide aimed at establishing the academic and career background of the respondents in trying to assess their suitability to answer the research questions. In total, the researcher interviewed five out of the six respondents that had been planned to be interviewed in the research design. One of the respondents, who work with the business development division, was unavailable for the interview having travelled out of the country on official duties and as a result, the researcher interviewed the five remaining respondents. The five were felt to still give a good representation of views on the subject matter.

All the five respondents had attained university degree in different fields and in addition, three of them had post graduate qualification. The continuous years of service that the respondents had worked at Nestle ranged from 2 to 15 years in different departments. This implied that the respondents had been in the organization long enough to give a reliable view of strategic

responses at Nestle. Currently two of the respondents work at the company's business development division, one of them in the Human resource department while the other two work in the company's operation department. This split was felt to be a good representation of the various departments existing in the organization.

In addition, the views of both genders were represented by the interviewees because two of them were female and three were male. From these, the data obtained was felt not to have gender biasness. Further, all the respondents indicated their satisfaction with current duties and highlighting various opportunities available within and without the organization such as career development, interaction and solving customer complains, and the new challenges that come in the course of their duties. All these helped in personal development of the respondents and thus creating a motivated workforce. However, they equally indicated their displeasure with the slow phase of implementing recommendations as well as disruptive change of duties in the organization.

4.3 Environmental challenges

This section primarily aimed at establishing the various challenges that Nestle has encountered while operating in the competitive beverages industry. This has been viewed at from both internal aspects as well as the external operating challenges. The highlights of the discussion are enumerated below.

4.3.1 Internal Environmental challenges within Nestle

The respondents overwhelmingly agreed that they are empowered to make decisions at their level of operation. At the same time, they enumerated several challenges that they face in their day-to-day duties which ranged from delayed decision making, inadequate funding in some divisions and frequent transfers that destabilizes an individual working schedule. The frequent transfers were partially attributed to understaffing of some division. Some three respondents representing 60% of the people interviewed indicated that there were instances of poor communication especially from the top managers to junior and middle level employees which has led to wrong decisions being made. Another four respondents representing 80% of the interviewees stated that the remuneration package for Nestle (K) Ltd staff still needed improvement to enhance competitiveness with other organizations and aid the organization to attract and retain staff with the needed skills.

The research findings imply that Nestle (K) Ltd need to address the internal challenges in order to respond more effectively to its operating environment. The challenge of the delays in decision making was all attributed to the long procedures to be followed and bureaucracy. A case in point that they gave was when a case of understaffing was reported. In such a case it will normally take unnecessary long period to fill the vacancy where upon much opportunities will have been lost by the company. It was however not lost that the company has of late taken a deliberate step to recruit a number of management trainees. Poor working conditions for some members of staff were identified as a major issue especially for some divisions. Nestle (K) Ltd is currently is spread over several premises within the town and also some division is housed in Athi river. Due

to a lack of a central location building for the entire organization, there is non-uniform allocation of office space and thus leading to complaints from staff.

4.3.2 External Environmental Challenges

Nestle (K) Ltd like any other organization operating in a dynamic business environment faces numerous challenges which it has to respond to in order to successfully meet its objectives and mandate. Accordingly, all the respondents were unanimous that Nestle (K) Ltd will continue to face various forms and levels of challenges. This recognition of the existence of challenges in the business environment is considered in that the organization considers first the environmental challenges before the development of its strategy. The respondents indicated that the general economic environment and the level of competition existing at a given time of developing the organizations strategy will be considered. The beverage industry which the company concentrates in has experienced intense competition from the other players that produce the product locally as well as increased competition of the products from imports made by various firms especially from the Comesa countries. The respondents indicated that the process of coming up with a fair pricing for their products will be influenced by among other, things how the substitute products have been priced. The challenge further is compounded by the many prices for the diverse substitutes and thus the organization will have to balance its prices with the many interests. The new entrants in the market have been found to bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete among the existing players.

The consumers have been found to be more price sensitive when they are purchasing products that are undifferentiated, expensive relative to their incomes and of a sort where product performance has limited consequences. They identified that major difference with consumers is that their needs can be more intangible and harder to quantify. Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry. The degree to which rivalry drives down an industry's profit potential depends on the intensity and the basis on which companies compete. The respondents did also register the growing levels of poverty among its 400 million customers in the region. As a result of low purchasing power of these crucial stakeholders, the organization has registered slowing market growth over the last five years.

As a multinational firm, Nestle has had to contend with many different cultures in the countries that it operates. The management team in these countries has also been known to come from different cultures. In some instances, Nestle (K) Ltd - has the headquarters of the East and Central Africa market- has had some of the managers in these region that do not understand the prevailing cultures in the organization and in some cases customers in the market. This has led to resistance from some of the staff as well as not being able to penetrate a large portion of the market due to the inability of the management to understand fully the demands of this section of the market. A leadership team that understands the demands and dislike of its customers will ensure sustainability of the company's products and also growth. They observed that in some cases, the leadership team of the organization need to deal constantly with the changing cultures in the market.

The respondents identified that the other major markets for the organization in the region encompasses the Democratic Republic of Congo, Congo, Angola, Mozambique, and Mauritius. Another serious problem facing the organization as noted by the respondents was the increased presence in these markets of counterfeits products bearing its products name and also the low quality of the same products. As a result of the unstable nature of the government, the company has had to contend with a slowing down of its expansion plans, increased cost of production and logistical problems of availing the products to its consumers which sometimes has resulted in out of stocks situations.

4.4 Strategic responses to the challenges by the firm

This section of the interview guide anticipated to establish the strategy development process in the organization as well as the strategies that have been put in place to counter the challenges facing the company from the business environment. The answers to the questions are discussed below.

With the level of challenges that faces the company both from the internal and external set-up, the organization has had to proactively develop strategies that will help it maintain their market share and at the same time penetrate new markets. The potential market identified is expansive and there is a great growth potential as per the organizations forecast. With this, the organization strategy will need to start with effective development of the same strategy.

The respondents indicated that a formal and an all inclusive strategy development process take place in the organization. There exists a laid down procedure of strategy development that involves soliciting opinions of majority of the company's employees and representing all the departments. This process is directed by a team in the business development division and reports directly to the organizations Market head. With this independence of the department as well as direct reporting to the Market head, decision making has improved such that at present it will take shorter period to take action to counter any challenge to the firms traditional customer base. In addition, the organizations corporate plan is tied together with performance contracts to enhance achievement of objectives and efficiency and effectiveness of work output. Over the last three years, this structure has seen Nestle (K) Ltd improve on service delivery to customers and increase sales in the period.

According to the data collected, 4 of the respondents representing 80% highlighted three major strategies that have been adopted to counter the challenges namely; intensive marketing, automation of the process and restructuring of its management. Another three of the respondents added the process increased product differentiation that has been made to try and distinguish its product range from other competitors. In addition, one of the respondents observed that apart from the above areas identified, the organization has also undertaken a deliberate move to increase its the human resource capacity by recruiting and training staff to address the issue of staff shortage, and obtain the staff with most needed skill and also train those who have a skill gap. As was noted by the human resource office, the company has recruited a number of new marketers and sales personnel that will assist the organization in penetrating new areas and also maintaining the current market.

4.4.1 Restructuring

The respondents interviewed all consented that Nestle (K) Ltd has undergone a series of restructuring over the last five years to align itself to a position of being capable to facing the challenges of the current business environment. In addition, they observed that the company has been able to meet its restructuring timeline as set in the strategic plans. The restructuring process involved creating new three autonomous departments Culinary, Coffee & Beverages and Dairy. The implementation of functional based structures was also replicated in other support services namely Shared services department.

The organization has also divisionalized its operation nationally and also dividing its operation in the region into autonomous parts that has hastened decision making process. The country heads of these units have been given a freehand to formulate policies that will enhance their achievement of their individual objectives. Two markets were incorporated to be operating Companies that necessitated the recruitment of a full pledged office as opposed to the situation where there was just a company representative serving as a Business Development Manager. In addition two other countries; Ethiopia and Sudan were added into the Equatorial Africa portfolio. Also in line with the restructuring process, changes to the country managers were done in 40% of the countries in the past three years and the benefits of these changes and beginning to show.

The respondents interviewed cited that the objective of restructuring has been achieved though there is still room for continuous improvement. Through restructuring, synergy has been created in the organization. However, they also felt that some departments were not properly aligned and

has a result not been able to meet some of their objectives. For example they suggested that for better synergy, procurement and administration functions which fall under the operations division could instead be placed under the Finance division.

4.4.2 Staff recruitment

The strength of an organization lies not only in its hardware or financial resources but more in its human resources. Focus on staff is important for them to perform their duties satisfactorily that will translate to quality service delivery and increased sales. To this end, the respondents observed that Nestle (K) Ltd needs to strategically manage its human resource base to ensure that the staff identifies itself with the organization's Vision and Mission. Nestle (K) Ltd has therefore carried out modernization programme that includes improvement of working conditions and preparing the workforce to be able to meet the current and future challenges through training and development programmes. In this regard, the organization over the last three years has undertaken a deliberate move to replenishing a maturing workforce, improving workforce skills and ensuring a continual leadership cadre for the future.

According to the research findings obtained, Nestle (K) Ltd has continued to recruit staff annually apart from carrying out continuous training of its workforce in order to revitalize its HR. This is aimed at developing a workforce for technical competence, professionalism and courtesy. In order to achieve this, programmes have been initiated to provide comprehensive

career path for all levels of staff. Capacity building was undertaken in such areas as conversion and refresher courses for various disciplines to enhance their competencies.

A graduate trainee programme has also been adopted annually to ensure that the organization replenishes its staff and also there is a good succession plan. The organization has taken a deliberate move of recruiting between 2-5 graduates annually from the universities who have pursued various disciplines. Coupled with an attractive salary package it has been able to attract a good pool of employees which has enhanced the organization's competitive edge. In addition, the staff is also encouraged to pursue various degrees and professional courses aimed at career development. Performance management was embraced by the organization together with change management and improvement of communication initiatives implemented in order to develop a single corporate culture.

The respondents also identified that Nestle (K) Ltd has embarked in the process of mentoring and providing leadership to the young and upcoming members of staff. These moves are aimed at fostering leadership within the organization and providing motivation to the members of staff to realize that they can at the same time take over the helm of organizations leadership. The respondents also took cognizance of the fact that the organization has developed and implemented performance reward system for the entire workforce that is felt to have increased the morale of staff. The target was to expand the performance based pay system across the entire workforce to link employee remuneration and office tenure as well as the success in meeting the set targets of the firm.

4.4.3 Information Technology

IT has helped Nestle (K) Ltd to automate and modernize its processes. The aim was to develop effective and efficient process that take a single view of the customer and enhance and effectiveness and also offer quick services to the customer. The respondents indicated that several system changes have been developed in order to realize this goal. The introduction of SAP system has facilitated compilation and synchronization of several data and has improved overall service delivery.

Computer based control system has been implemented in high risk areas in the organizations business line such as transit of products to neighboring countries, bonded warehouses as opposed to physical controls. Since Nestle (K) Ltd market covers regions with low mobile communication connectivity, the organization has adopted the use of wireless technology to connect with its employees and customers especially in regions such as in the Central Africa region. The organization in addition has set up an interactive website where the customer and the public visit and obtain information on the company products and their availability. The intranet has created a platform where Nestle employees from different parts of the world can access useful information such as best practices applied in other markets. The use of Microsoft Outlook has made it possible for staff to share information and reduce the paperwork.

The enhancement of the ICT infrastructure has led to major Nestle (K) Ltd departments stationed in various parts of the city to being linked through Wide Area Networks that as resulted in quick decision making and reduction of cost in the organization. Service delivery to the customer has

continued to improve as a result of implementing better technologies and improvement in business process. In a recent survey commissioned by the organization to establish the level of customer service, it was noted that the customers have registered improved level of serving them especially the speed.

4.4.4 Leadership and culture

According to the research findings, the organizations leadership has taken a deliberate move to embrace stakeholder involvement in order to factor in their expectation from the organization and thus win their support. Such critical stakeholders to the firm include customers and employees. Nestle (K) Ltd management has organized workshops and joint meetings with the stakeholders to discuss concerns of stakeholders and agree on the way forward and by these moves the leadership has been able to win the support and trust of these critical stakeholders. In addition, the organization leadership has literally endeavored to lead from the front. A case in point is where change management initiatives are being driven by the top management and regular feedback and meetings are constituted to evaluate the performance of the organization on the previous targets.

Nestle (K) Ltd management has developed mentoring programme to make existent knowledge to staff and building the positive organization culture. Through restructuring, the organization has made it easy to improve its corporate image and culture. The management team has also encouraged and championed the anticorruption strategy and zero tolerance to corruption in the organization.

The change of culture is a gradual process and Nestle (K) Ltd has already embarked on re-branding to change the customer and stakeholder perception about the organization. The respondents observed that earlier on, the company's product has been associated with people of much financial resources and not the middle to lower segments. To this regard, the organization engaged in a marketing campaign to woo the low market segment and erase the perception that the organization has been associated with. The new Nestle logo now appears in envelops, letter heads and other corporate publication. The organization leadership has sensitized the staff on culture change in order to instill positive culture in the organization. Team building seminars are continuously organized for managers and staff.

4.4.5 Strategic Fit

The respondents also took note that with the implementation of above strategies to combat challenges facing the organization, they have to implement them in such a way that it will avoid sub-optimization between the various organizations department and implementing units. They need to be evaluated yearly to analyze whether they are still relevant in the current operating environment. The respondents consented that Nestle (K) Ltd has used its available resources to adequately respond to the challenges they face in the operating environment.

With the high level of globalization, the company's business environment has been quite unpredictable. This has necessitated continuous environmental scanning by the organization, reviewing strategies in light of its operating environment by recognizing the fact quality service and products is the only way the consumer can comply and respond according to the dynamism of the operating environment. From the finding it is therefore paramount for any organization to ensure that there is a link between the strategy and the challenges they have to face in the environment.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary, conclusion and recommendation for the research findings in line with the objectives of the study.

5.2 Summary

The objective of the study was determining responses to competitive environmental conditions in beverage industry in Kenya with emphasis on Nestle (K) limited.

The researcher was able to interview five of the targeted six respondents in the firm. They turned out to be well versed with the subject matter of the research and by virtue of the academic and professional qualifications; they proved to be quite valuable in giving the information necessary to achieving the objectives of the research. The respondents also came from both genders and hence their views were all inclusive as far as the genders were concerned.

The operating challenges that are facing the organization can be classified as either internal or external. The internal factors are those that originate from the internal structure of the firm and in which the company has control over. The external challenges are those factors in which the company has had to contend with and result from the outside environment that the organization is operating in. The respondents identified a number of internal inadequacies facing the

organization such as slow rate of decision making, inadequate funding in some divisions and frequent transfers that lead to disruption of work schedules. Further, the respondents observed that there have been cases where employees have complained of low salary and benefits given to them in comparison of other companies in the same sector. Because of the organization's activities being spread over a number of locations in the city, there has been non-uniform allocation of office space and other working amenities. The difference in this working environment has resulted to complaints from the staff who felt that their working environment conditions are not up to the same level with the others.

The external market to the firm's products has also experienced changes in the recent past. Intense competition from other players in the beverage industry has an effect in the company's traditional market. With the liberalization of the Kenyan economy and joining of membership of various trading blocks has led to an upsurge of beverage products from other parts of the world. With this level of competition, pricing of the products and maintenance of high quality of the beverages, the company has had to contend with this for a while now. Another challenge that was noted by the respondents was the increased presence of counterfeit and parallel imports which has resulted in the dip of its sales.

To counter the challenges facing the firm, the company has come up with several strategies that are believed to cushion the firm from negative effects. The respondents indicated that a formal and an all inclusive strategy development process took place in the organization. There exists a laid down procedure of strategy development that involves soliciting opinions of majority of the company's employees and representing all the departments. A series of restructuring

programmes has been undertaken over the last five years to align itself to a position of being capable of facing the challenges of the current business environment. In addition, they observed that the company has been able to meet its restructuring timeline as set in the strategic plans.

An important resource to help the organization towards the achievement of its mandate is its employees. A trained and motivated workforce will help the organization to achieve its objectives. Towards this end, the respondents observed that Nestle (K) Ltd needs to strategically manage its human resource base to ensure that the staff identifies itself with the organizations vision and mission. According to the research findings obtained, Nestle (K) Ltd has continued to recruit staff annually apart from carrying out continuous training of its workforce in order to revitalize its human resource.

In addition, the organization leadership has literally endeavored to lead from the front. A case in point is where change management initiatives are being driven by the top management and regular feedback and meetings are constituted to evaluate the performance of the organization on the previous targets. Nestle (K) Ltd management has developed mentoring programme to make accessible knowledge to staff and building the positive organization culture. Through restructuring, the organization has made it easy to improve its corporate image and culture. The change of culture is a gradual process and Nestle (K) Ltd has already embarked on re-branding to change the customer and stakeholder perception about the organization. The respondents observed that earlier on, the company's product has been associated with people of much financial resources and not the power.

5.3 Conclusion

In regard to the objective of the study, the aim of the research was realized. The study found out that Nestle has endeavored to adequately respond to its operating environment using its capabilities. This is evident from the firms continued growth in revenue despite the challenges it is facing. The organization has continued being the leading beverage manufacture in the region and further introduced other new products in the recent past to meet the changing demands of the market. It is detrimental for any organization not to respond to the operating environment hence the importance of constantly aligning the internal capabilities of an organization to its environment in order to remain competitive.

5.4 Recommendations

The study recommends Nestle to enhance the adoption of integrated marketing approach where all departments work together with the customer in mind to continually improve service delivery and customer satisfaction. Nestle should also work towards continuous introduction of new quality products that will meet the needs of different segments of consumers in the market.

Even though Nestle has continued to embrace IT and modernization, it still has room for improvement on low level of computerization especially in the region for provision of better service delivery. The organization should also strive to embrace the challenge of catching up

with advanced technology in order to remain relevant and successful. The recently launched GLOBE system which is an integrated management system, is a milestone in service delivery should be implemented across the organization and proper monitoring and reviews done to ensure compliance.

Continuous improvement techniques should be employed to better the services by reviewing the workflows. This includes TQM, re-engineering the business processes, benchmarking with other beverage firms, Rapid results initiatives, Management by objectives etc. Performance contracting and formulation of achievable targets is crucial to the success of the entity.

5.5 Limitations of the study

The research design of this project was a case study. As such, since only five respondents were interviewed, their observations might not be representative of all the views of the organization. A much more detailed research encompassing the views of majority of the Nestle staff might be needed to get more robust views. In addition, the views of more stakeholders such as customers, regulatory authorities as well as other stakeholders would have been important in this research considering the critical role they play in the achievement of organization objectives and mandate. However, the time taken to carry out this study was short to allow for such elaborate interviews.

5.6 Suggestions for further research

This study should be extended to cover strategic responses of Nestle to its internal customers and also strategic responses of the organization to its remote environment. Also a cross sectional research of Nestle to its operating environment can be carried out.

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APPENDIX I

INTERVIEW GUIDE

Goals of the interview process

1. To determine the strategic responses to environmental conditions.

2. To identify factors that affect strategic response at Nestle Kenya limited

Interview Questions

The following sections provide sample questions to be used in evaluating strategy implementation.

Respondent Background Review

- What is the highest level of education you have received?
- How long have you worked in this organization?
- What do/did you like best about the position/s you have held?
- What do/did you like least?

Strategy Response at Nestle Kenya limited

1. What approaches to business does your firm uses?
2. What drives you to conduct business the way you do?
3. Do you survey the external environment before making business decisions?
4. To what extent do you consider the external factors in making plans and decisions?
5. Is there an arrangement to mitigate the consequences of the challenges caused by economic environment?
6. What are some of the external factors you consider before engaging in response to the external environment?
7. Are there some technological changes which have affected the operations of your firm?
8. Owing to technological adoption, has there been improvement in business performance?

9. Are you aware of any major strategic changes that have occurred in Nestle Kenya limited in the last 5 years? If yes, enumerate a few?

10. Is the strategies suggested by the management inspirational?

11. Were the strategies adopted by the firm reactive or proactive?

12. What are some of the things you do to attract and retain customers?

13. What action plans have you used to beat competition in the market?

14. Who makes the critical decisions in response to external environment?

15. Who champions the identification and implementation of responses to external environment?

16. How important has the strategic options (Cost leadership, Differentiation and Focus) been to your firm in response to changes in the market?

17. How often is feedback on strategy implementation communicated to you/employee?

18. What factors may have influenced the speed of implementation of change in Nestle Kenya Ltd?

19. Were the concerns of clients taken into consideration before implementing the strategic change?

20. Please list any product development strategies that Nestle (K) Ltd has used over the last five years

21. What else do you feel that Nestle (K) Ltd should do to stay focused to the operating environment?

Strategic response challenges

1. What were the major challenges which were encountered in the process of strategic response to the environment?

2. How has the management reacted/responded to challenges that exist at Nestle (K) Ltd?

3. How would you rate the level of management involvement in strategic response?

4. To what extent were the employees committed to strategy response process?