STRATEGIC RESPONSES OF NEW KENYA CO-OPERATIVE CREAMERIES LIMITED TO THE CHANGING ENVIRONMENTAL CONDITIONS

BY

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DECLARATION

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

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

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God Bless you all.
DEDICATION

To my beloved parents, Aloyce Oduor and Helidah Atieno who have always believed in me and encouraged me to follow my dreams. And to my beloved daughter Laura (baby girl) who has been a true inspiration to me and gave me reasons to carry on.
ABSTRACT

Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm’s objectives. It is therefore a reaction to what is happening in the economic environment of an organization. This study investigated strategic responses of New Kenya Co-Operative Creameries Limited to the changing environmental conditions. The objectives of this study were to establish the environmental changes affecting New KCC Limited and then establish the strategic responses adopted by the organization in the face of these changes, and to document the relevant responses made. This study was guided by the theory that organizations are both environment dependent and environment serving, in that organizations obtain resources from the environment, transform them, and then release them back to the environment as finished products that are sold through the markets. The environment in which organizations operate is continuously changing with different factors influencing them. These environmental changes shape opportunities and challenges facing organizations hence the need to adjust to these changes to remain successful in future. In order to meet the objectives of the study, pertinent primary and secondary data was collected. Secondary data was obtained from the company’s records and website while primary data was obtained by conducting in-depth personal interviews with New KCC Limited heads of departments and selected managers who are involved in the strategy formulation and implementation. The research design entailed utilization of qualitative techniques for data collection to better understand how New KCC Limited has responded to the environmental challenges facing the company. This design was appropriate as it provided insights into the research problem by describing the challenges and responses in details. The data was then analyzed using content analysis method. The study established that changing competitive situations in Kenyan dairy industry has posed some challenges to New KCC Limited and these challenges arose from changes in the business environment in terms of economic decline, legislative changes, increased technological advancement and liberalization of the dairy industry which opened doors for many players that ate into New KCC market share. According to the research findings, New KCC has identified challenges facing it from the environment and has responded to these challenges through such initiatives as new products development, adoption of Systems Applications and Products (SAP) in Enterprise Resource Planning (ERP) to increase precision in monitoring of production and sales activities and engaging in intensive sales and marketing activities. These have made New KCC Limited cope with its challenges but have not adequately enabled the organization to fully match its environment. In view of this, the researcher recommended that New KCC should become more proactive rather than being reactive in managing its changing environment through formulating and implementing strategic initiatives that would pre-empt any anticipated adverse changes in its environment. The limitations of the study identified by the researcher were due to time constraint and lack of commitment of some respondents due to their busy schedules. The researcher also suggested that further studies should be carried out in future to evaluate the success of strategic responses adopted by New KCC Ltd since this would shed light on whether the strategies adopted help to create competitive advantage or not.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

All organizations operate in macro-environment consisting broadly of the economy at large, population demographics, societal value and lifestyles, government legislation and regulation, technological factors, and the company’s immediate industry and competitive environment (Thompson and Strickland, 2003). Environmental changes shape opportunities and challenges facing organizations hence the need to adjust to these to remain successful in future.

Kotler (1997) observed that turbulent environmental changes can lead yesterday’s winning business ways and principles becoming irrelevant today. Organizations need to have the right alignment between their internal structure and their external environment in order for them to function effectively and efficiently.

The environment is constantly changing as observed by Ansoff (1987). Organizations have to proactively or continuously adapt their operations in order to survive the environmental challenges. The environment offers firms with opportunities, threats and constraints, but rarely does a single firm exert any meaningful reciprocal influence. The liberation of the economy, privatization, increased competition, political and the general economic reforms in all sectors are some of the changes in the operating environment.

The dynamism of the dairy industry environment in the current times is posing a lot of challenges to all dairy processing companies, New KCC Ltd included. Therefore, it is
only those organizations that are able to adapt to the changing environment and adopt new strategies and ways of doing business that can be guaranteed survival (Wahogo, 2012). According to Aosa (1992), organizations have to adapt to these changes as failure to do so would put them into jeopardy. Business environment consist of variables that form the context within which firms exist. Wheelen and Hunger (1999) observed that an organization’s external environment goes beyond the firms operating environment and comprises of economic forces, socio-cultural, demographics, political and technological forces. Organizations are therefore both environment dependent and environment serving.

In Kenya, economic changes, regulatory anxiety, rapid technological advancement, the ever changing customer needs, political factors and stiff competition for both the raw milk (which is the main raw material) and the market for finished products are some of the challenges that have greatly affected the growth of the dairy industry. The dynamism in the industry is continuously posing a lot of challenges to all the players in the industry and therefore it is only those firms that are able to read the changes in their operating environment and take appropriate actions that are able to survive and even thrive.

1.1.1 Organizations response to the changing environment.

Most well run organizations attempt to develop and follow strategies (Mutisya, 2011). These strategies are designed to enable the organization achieve its long term goals. Strategy is the link between the organization and its environment. Organizations exist in complex and volatile commercial, economic, political, technological, cultural and social
environments. The environmental changes occasioned by these factors are more complex to some firms than for others due to their unique positions in their areas of operation.

For an organization to be successful, it is important to consider the environment under which it operates. Environment affects performance of business if not checked hence the need to try to match strategy to the environment. Some of the factors that need consideration while trying to match strategy to the environment would be government influence, global market convergence, cost advantage, global competition, among others. Porter (1985) described the external environment as the conditions that affect a firm’s competitive situation. Similarly Ansoff and McDonell (1990) described organizations as environment serving, in that they depend on the environment for inputs, which they add value to through manufacturing and sell through the markets as finished products.

Pearce and Robinson (1997), defined strategic response as the set of decisions and actions that result in the formulation and implementation of the plans designed to achieve a firm’s objectives. William, James and Hegarty (2007) state that the role of strategy is to identify how the company will cope with its ever changing and turbulent environment, to prescribe initiatives and other actions the company will take to win its desired position in the turbulent environment, and to articulate dominant mission that will be the focus around which diverse company activities can be integrated.

According to Pearce and Robinson (2003) executives must respond to the challenges posed by the firm’s immediate and external environment. The immediate external
environment includes competitors, scarce resources, suppliers, government agencies/ regulations and customers with rapidly shifting taste/ preference. Assessing its competitive position improves a firm’s chances of designing response strategies that optimize its environmental opportunities.

1.1.2 The Dairy Industry in Kenya

Generally 75% of Kenyans earn their living from farming either directly or indirectly. Kenya has one of the largest dairy industries in sub-Saharan Africa and by the end of the year 2000 there were around 1,500 licensed informal milk traders in the country. Dairy processing was adopted in Kenya in 1925 with the incorporation of Kenya Co Operative Creameries (KCC) Limited as a public liability company, by way of shares (Auma, 2004). By then the industry was mainly run through co-operative movements and a number of dairy co-operative societies came together to form Dairy co-operative unions. Such co-operatives societies established collection centres to receive member’s milk for delivery to KCC, which was the sole processor. Before independence in 1963, commercial dairying was confined to large- scale farms owned by European white settlers. This was however changed and small- scale farms play a major role in milk production in Kenya today (Maina, 2003).

The Kenyan Dairy industry has developed over a span of more than 90 years. Small-scale farmers, about one million of them, contribute 80 per cent of the total milk produced and 70 percent of the marketed milk in the country. This has created approximately over 1 million jobs at the farm level, half a million in the industry and over 700,000 jobs in the
support service industry. In total, there are 35 milk processors with an installed processing capacity of 3.5 million litres per day (Mutugi, 2008 cited by Ngati, 2009). He also presented his findings that dairy industry contributes 4 per cent to the national gross domestic product and 14 per cent of the agricultural GDP. The sub sector is very important to the Kenyan economy and it forms a significant part of the rural economy.

Up to 1992, the dairy industry in Kenya was under government control, which gave the policy guidelines, set prices, determined the players in the industry and set the market rules among other things. Kenya Co-operative Creameries (KCC) enjoyed a protected monopoly in the marketing of the milk and dairy products. Presently, the dairy industry is regulated by the Kenya Dairy Board (KDB), established under Section 4 of the Dairy Industry Act Cap. 336 enacted by Parliament in 1958.

Specialized organizations have stepped in to improve dairy production and marketing. Land O’Lakes, a US co-operative NGO, strives to make the sector self-sustaining. Its vision is to build a strong and vibrant sustainable dairy industry by increasing efficiency in marketing, processing and production of milk and dairy products. Other organizations such as Egerton University’s Tegemeo Institute of Agricultural Policy and Development, International Livestock Research Institute (ILRI), Techno Serve, Heifer Project International (HPI) and American Breeders Services (ABS), are also working with the organizations in the dairy sector, including the KDB, to improve processing, production, marketing and promotion of dairy products in the country (Auma, 2004).
In Kenya, there are various competitors in this industry including but not limited to New KCC Ltd, Brookside Dairies, Githunguri dairy, Limuru milk dairy, Meru Central dairy, and Sameer Livestock Ltd. Besides the mentioned processors, informal milk vendors (hawkers) have also become a force to reckon with in the industry. Liberalization of the dairy industry saw the proliferation of many processors in the industry. This has however changed in the recent past as the new trend in the industry is now acquisition and mergers strategy in order to maintain or gain competitive advantage. For instance Illara dairy was acquired by Brookside dairies in the early years of the last decade. Recently Brookside has gone ahead to acquire Delamere dairies, Spinknit dairies (with TUZO brand name) and Buzeki dairy (with brand name MOLO MILK) being it latest acquisition.

1.1.3 New Kenya Co-Operative Creameries Limited

The story of KCC Ltd to KCC 2000 Ltd to New KCC Ltd is equal to that of Dairy Sector in Kenya (Ngati, 2009). The New Kenya Co-operative Creameries Ltd was registered on the 25th of June 2003. Its predecessor, the Kenya Co-operative Creameries Ltd has operated in Kenya since 1925. This makes it the oldest dairy processor in the country. The company was created so that it can provide a channel for dairy farmers to sell their milk. The principal business of KCC Ltd was buying, processing and selling dairy products both in the domestic market and export market. The company started with only one factory in Naivasha but today has eleven (11) dairy processing factories and eleven (11) cooling plants. Growth was mainly achieved during the period 1966 to 1988. As at the time there was a lot of technical, technological and financial assistance from DANIDA. The company operated in a monopolistic environment until the 1990s.
Liberalization brings with it stiff competition and the firms that survive are those that study requirements of the consumers and strive to meet them effectively, without which the firm may either close down or be taken over by more powerful ones (Auma, 2004). After liberalization of the dairy sub sector, mismanagement in the company caused it to collapse in the year 2000 and was put under receivership. In August 2000, KCC was successfully bought on a going concern basis at Ksh. 406 million by a select group of dairy farmers who decided to form a new entity, KCC 2000 Limited.

When the NARC government came into power, it bought back the company in June 2003 at the same price it was sold and renamed it New KCC Ltd. New KCC Ltd boasts of a total of 11 cooling plants, 11 factories and 12 sales depots which have been successfully revived and rehabilitated since the year 2003. In the year 2007, the company achieved the operational targets set by the government in the performance contract for the year. New KCC then went ahead to sustain growing profitability in the financial year ended 30th June 2007 despite increased competition and historically high fuel prices in the year which led to an escalating cost of production.

Kenya’s political environment traditionally has an impact on the economy. Following the disputed outcome of the general election in 2007, there was widespread violence and displacement of people throughout the country. This had a significant impact on milk supplies to New KCC factories especially in the Rift Valley as some factories and cooling plants had to be closed down.
In 2006 New KCC was awarded the Parastatal status which required the company to follow the Parastatal Act. The management staffs were put on Performance Contract as provide by the Public Service Act. According to the New KCC annual report 2006/07 the company had put the Performance Management system which redefined the key result areas for the organization, department and individuals and also put in place an appraisal tool and a reward scheme aimed at realizing the full potential for everyone.

1.2 Research Problem

The alignment between strategy and environment is critical for corporate success, correct alignment help firms minimize the economic misfits from the resources, improves the effectiveness of operations and boost economic benefits from the resources, and aids the fulfillment of its strategic goals (Abdullahi 2000). In a fast changing world where businesses are affected by external forces, managers need to be able to respond timely to keep organizations on track and meet its objectives and should be outwardly focused aware of important trends that will impact on business. The environment is dynamic, new organizations enter and exit, supply of resources become more or less scarce when the environment changes, organizations face the prospect of either not surviving or changing of their activities in response to these factors (Porter 1980).

The dynamism of the dairy industry environment in the current times is posing a lot of challenges to all dairy processing organizations. Some of the forces of change that have greatly influenced the dairy industry players include intense competition, globalization, increased regulation, changing weather conditions which affect raw milk supply which
leads to intense “fighting” for the raw material. To remain competitive New KCC Ltd must constantly adopt new strategies in response to these changes. Since New KCC Ltd still exists despite the presence of many competitors and challenges in the industry, this clearly means that it must be responding positively to changes in its environment.

Several studies have been carried out on firms’ challenges and responses to the environment, Ngo’nga (2011), Kazinguvu (2011), Nyiramatama (2011), Adoyo (2005), Wairegi (2004) and Musa (2004). These studies agree that firms faced with changes in their operating environment must make adjustments to their strategic variables to survive. For instance, Wairegi (2004) studied the strategic responses by Life Insurance Companies in Kenya to changes in their environment and concluded that insurance companies faced challenges such as economic recession, inflation, political instability and uncertainty and responded through new products development, development of distribution channels and computerization of their core business processes among others.

New KCC Limited faces many environmental challenges just like any other firm in Kenya and it is expected to respond proactively to these environmental changes. Different organizations respond differently to environmental changes within that industry. Firms do not respond identically when faced with similar problems, it is therefore expected that New KCC Ltd would respond differently to environmental changes affecting it. What are the strategic responses adopted by New KCC Limited to the ever changing environment in the dairy sector?
1.3 Research Objectives

The objectives of this study were to:

i. Establish the environmental changes affecting New KCC limited.

ii. Establish the strategic response of New KCC Limited to the changing environment in the dairy sector in Kenya.

1.4 Value of the Study

The findings of this study will be useful to the management and non-management staff of New KCC Limited by providing insight into how organizations can successfully respond and adapt to environmental challenges. In addition, this study will help potential investors in the dairy processing industry to gain appreciation of the opportunities and challenges present in the industry.

The findings of the study will also be useful to the government and professional bodies involved in policy making, as it will provide information on the impact of a dynamic environment in respect to competitiveness of dairy industry in Kenya. The study will therefore help the government in formulating policies on regulatory processes in the industry to ensure economic growth and development.

The research will also be vital to researchers and scholars in the field of strategic management as they will be able to use the information gathered as a basis for further studies. This research will therefore contribute to the existing body of knowledge in strategic management.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature review in the form of theoretical review and past research related to the purpose of the study. Principal concepts of the study such as strategic response, resource dependence theory, organization and environment, among others are clearly discussed.

2.2 Theoretical Foundation

Resource dependence theory (RDT) is the study of how external resources of organizations affect the behavior of the organization (Pfeffer and Salancik, 1978). RDT proposes that actors lacking in essential resources will seek to establish relationships with (i.e., be dependent upon) others in order to obtain needed resources. Also, organizations attempt to alter their dependence relationships by minimizing their own dependence or by increasing the dependence of other organizations on them.

Within the perspective of RDT, organizations are viewed as coalitions alerting their structure and patterns of behavior to acquire and maintain needed external resources. Acquiring the external resources needed by an organization comes by decreasing the organizations dependence on others and/or by increasing other organizations dependency on it, that is, modifying an organizations power with other organizations (Pfeffer, 2003).

Resource dependence theory rests on the assumptions that; organizations are comprised of internal and external coalitions which emerge from social exchanges that are formed to
influence and control behavior, the environment contain scarce and valued resources essential to organizational survival thus posing the problem of organizations facing uncertainty in resource acquisition, and organizations work towards two related objectives, that is, acquiring control over resources that minimize their dependence on other organizations and control over resources that maximize the dependence of other organizations on them.

The basic argument of resource dependence theory according to Pfeffer (2003) holds that; firstly, organizations depend on resources, secondly, these resources ultimately originate from an organization’s environment, thirdly, the environment, to a considerable extent, contains other organizations, fourthly, the resources one organization needs are thus often in the hands of other organizations, fifthly, resources are a basis of power, sixthly, legally independent organizations can therefore depend on each other, and lastly, power and resource dependence are directly linked. Power is thus relational, situational and potentially mutual.

Resource dependence concerns more than the external organizations that provide, distribute, finance, and compete with a firm. Although executive decisions have more individual weight than non-executive decisions, in aggregate the latter have greater organizational impact. Managers throughout the organization understand their success is tied to customer demand. Managers' careers thrive when customer demand expands. Thus customers are the ultimate resource on which companies depend. Although this seems
obvious in terms of revenue, it is actually organizational incentives that make management see customers as a resource.

2.3 Organization and the Environment

Organizations depend on their external environment to survive. Environmental changes shape opportunities and challenges facing organizations. Organizations need to be responsive and adjust to these changes in order to remain successful in future. The environmental dependence phenomenon postulates that whenever environmental changes occur, they create pressure in the organizations strategy as well as the internal capability. The organization then needs to make several adjustments if it has to sustain its survival over time. It follows therefore that, where external environment has changed, one would expect changes in strategies and internal capabilities of the organization (Ansoff and McDonnell, 1990).

Organizations depend on the environment for raw materials to manufacture its products or services, any disruption in its supply, changes in cost of raw materials, relocation or closure of suppliers can have adverse effect on the daily operation of the business and its competitiveness. Similarly, organizations discharge their out puts back into the environment and therefore any disruption in the environment will adversely affect the organization.

Customers form a very important part of any organization’s environment as they are the end users of the products and services that a company produces. Customers’ likes and
dislikes changes rapidly as people live in tight social system that create and encourage trends (Mutisya 2011). It is important to anticipate changes in users’ product requirements and emerging technologies that can change how products are used.

Competitors from related industries with similar products or services, their geographic location and markets form a critical part of organizations environment. It is important for an organization to know all its competitors, their size, skills pool, their competitive advantages and their marketing strategies in order to develop superior strategies to outwit them in the market place.

Technological variables do affect the running of organizations. Rapid development in technology can exert a powerful influence on all organizations(Cole, 1997). Today many organizations have adopted the concept of Information Communication Technology (ICT) to ensure streamlining of operations. Organizations should take note of technological changes affecting their industry to avoid obsolescence and instead promote innovation. Creative technology helps in products manufacturing and marketing techniques. Technology therefore helps in effective and efficient delivery of products.

Political and legal variables cover the activities of the state through its legislature and law enforcement agencies which impinge considerably on the organization. Business, public bodies and even charities are all affected by government fiscal and economic policies and all have to operate within the law of the land (Cole, 1997). At both national and local levels, the governments affects an organization’s activities on a daily basis, through its
policies, authority and its strategy decisions by creating opportunities and threats arising from the structure of the industry. This is through the imposed taxes, monopoly and restricted trade practice. The government can also protect local business entities from foreign competition by enhancing competition legislations.

Porter (1985) stated that strategy is concerned with positioning of business to maximize the value of the capabilities that distinguish it from its competitors. According to Porter, a firm must formulate a business strategy that incorporates cost leadership, differentiation or focus in order to achieve a sustainable competitive advantage and long term success in its industry. Therefore it is important for organizations to understand their competitive position (Johnson and Scholes, 1998). Pearce and Robinson (2007) observed that the environment provides many challenges that a firm faces in its attempt to attract or acquire resources and to profitably market its goods and services.

Bateman and Zeithaml (1993) noted that economic environment dramatically affects companies’ ability to function effectively and influences their strategic choices. They further stated that interest rates and inflation rates affect the availability and cost of capital in addition to unemployment rates which affect labour availability. Organizations must therefore strive to align to the changes in the environment.

**2.4 Organizational Strategic Response**

Strategic response involves changes to the organization’s strategic behavior (Ansoff and McDonnell, 1990). The change can be gradual or even more dramatic to be revolutionary
Thompson, 1997). Pearce and Robinson (1997) define strategic response as the set of decisions that result in the formulation and implementation of plans designed to achieve a firm's objectives. It is thus a reaction to what is happening in the environment of the organization.

According to Johnson and Scholes (2000), after the environmental analysis, the firm will choose a strategy in response to the opportunities and risks the firm faces in the environment. It incorporates competitive moves and approaches to deliver the best performance and satisfaction of all the stakeholders. Pearce and Robinson (2000) contend that a firm’s business environment consists of all the conditions and forces that affect its strategic options and defines its competitive situation. Some of the strategic generic responses include the following:

2.4.1 Strategic Planning

Planning is the establishment of objectives and the formulation, evaluation and selection of policies, strategies, tactics and actions to achieve objectives. Planning can also be defined as the managerial action that decides what to do, when to do, how to do and who to do it (Mutisya 2011).

Thompson and Strickland (1993) argue that a strategic plan is a statement outlining the organization’s mission and future direction, short term and long term performance targets, and strategy in light of the organizations external and internal situations. Strategic decisions are therefore formulated by the top and senior-level managers of an
organization and then administratively cascaded to lower-level management and non-management employees for implementation.

2.4.2 Restructuring Strategy

Restructuring involves looking at the organization as a whole (Adoyo, 2005). Organization structure is the established pattern of relationship between component parts of an organization outlining communication channels, control and authority (Williamson and Rosenfield, 1990). Firms can dramatically improve their efficiency and quality of their output by focusing on the processes that create value to them (Hammer, 1996).

Radical business-process re-engineering requires a complete rethink of how certain task are carried out and search for new ways through which performance can be improved (Thompson, 1997). Downsizing, belatedly attempts to correct the mistakes of the past; it is not about creating the markets of the future.

2.4.3 Outsourcing Strategy

Outsourcing is an important issue about strategic capability that arises from the concept of the value chain. According to Johnson and Scholes (2002), outsourcing occurs where organizations decide to buy in services or products that were previously produced in-house. They further established two important principles when searching for candidates for outsourcing; first, that an outside supplier can provide better value for money than in-house provision, but second, that core competence should not normally be outsourced since the activities critically underpin competitive advantage.
The key strategic reasons for outsourcing identified by various researchers, Pearce and Robinson (1997) are meant to improve business focus. It is used as a vehicle to an efficient operation. When firms outsource, they become more flexible, more dynamic and better able to adapt to changing opportunities as their partners do some capital investment on their behalf and to the organization it leads to directing resources from non-core activities towards activities that have greater return in serving customer (Ngo’nga’, 2011).

2.4.4 Diversification Strategy

According to Mintzeberg, Lampel, Quinn and Ghoshal (2002), diversification refers to the entry into some business not in the same chain of operation. It may be related to some distinctive competence or asset of the core business itself (also called concentric diversification); otherwise it is referred to as unrelated or conglomerate diversification.

Diversification is a strategy that takes the organization into new markets, new products and services. Firms often take advantage of new opportunities in order to respond to environmental changes as well as spread risk across a range of businesses. According to Kotler (2003), diversification growth strategy makes sense when good opportunities can be found outside the present business.

2.4.5 Strategic Alliances

According to Collis and Montgomery (1998), strategic alliance is where two or more companies collaborate by sharing resources and activities to pursue a common strategy.
A strategic alliance offers an opportunity for companies to collaborate in doing business, thereby overcoming individual weaknesses/disadvantages.

Johnson and Scholes (2002), explain that alliances may be formed either to exploit current resources and competences or to explore new possibilities. Collis and Montgomery (1998) argue that strategic alliances make it easier and cheaper to access required resource inputs and quick entry into new markets. Alliances vary in their complexity and can be in the following forms namely; two partner alliance, multiple alliance, equity alliance as well as non-equity alliances.

2.4.6 Marketing Strategy

Marketing is a social and managerial process through which individuals and organizations obtain value through an exchange process (Kotler and Armstrong, 1999). Marketing helps to define the business mission, its environment and competitive situation (Kotler 2000). Environmental analysis will assist in manipulating marketing variables such as the product, price, place, promotion, people and probe to ensure relevance of the firm.

The era of we sell what we make rather than what the customer wants is gone (Johnson and Scholes, 1997). Companies must therefore heed Porter’s (1998) advice and adopt cost leadership, focus and differentiation in order to survive and even thrive in the future. Marketing strategy as a response, can allow an organization to concentrate its limited
resources on the greatest opportunities to increase sales revenue and achieve sustainable competitive advantage.

2.4.7 Organizational Leadership and Culture Change

In order to reach strategic objectives and address industry, Pearson and Robinson (2007) state that companies need more effective leadership that is founded upon vision and communication. Effective leaders have a vision, mission and a strategic plan for implementing the vision. According to Kotler (2000), leadership is about coping with change. This is further supported by Pearce and Robinson (2003) who state that managers have to daily deal with change.

Thompson, Strickland and Gamble (2007) state that corporate culture is the character of company’s internal work climate and personality as shaped by its core values, beliefs, business principles, traditions, ingrained behavior, work practices, and styles of operating. According to Pearce and Robinson (2003), organizational culture is the set of important assumptions (often unstated) that members of an organization share in common. Every organization has its own culture such as beliefs and values. This will shape how work will be done and removes organizational road blocks to the desired culture (Johnson and Scholes, 2002).

2.4.8 Information Technology

According to Cole (2003), development of the internet represents one of the dazzling breakthroughs in worldwide communications. Information technology has led to great
improvements in productivity and improved efficiency resulting in a reduction in production cost. For instance many firms in Kenya have embraced Enterprise Resource planning (ERP) - Systems Applications Products (SAP) in their day to day operation.

An integrated information system makes use of Information Technology (IT) to check where the business stands. The inbuilt analytical tool is used for analyzing real time data for the firm to make quick and informed decision to give the business strategic advantage over the competitive forces it faces in the industry. Technological forces are therefore shaping industries and defining new ways to compete (Hax and Majluf, 1996).

A well-conceived state of the art support system not only facilitate better strategy execution but can also strengthen organizational capabilities by providing a competitive edge over rivals. A firm’s strategic response is therefore concerned with adjustments to accommodate changes in the environment and the development of overall business competitiveness (Kaplan and Norton 2008).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Since the aim of the study was to identify the environmental challenges facing New KCC Limited and to determine the relevant strategic responses made, a case study approach was chosen. This chapter outlines the research methodology that was used in the study to meet the objectives of the study. The research design, data collection methods and how the data analysis was done are discussed in this chapter.

3.2 Research Design

This study was conducted through the use of a case study. A case study was the most appropriate as the study involved identification of the environmental challenges facing New KCC Limited, and then determining strategic responses adopted by New KCC Limited to the environmental challenges. The case study research design was chosen to give an in-depth understanding of New KCC Limited in order to fully address the objectives of study.

Kothari (1990) defined a case study as a very popular form of qualitative analysis and it involves a careful and complete observation of a social unit, be that unit is a person, a family, an institution, a cultural group or the entire community. A case study design deals with the processes that take place and their internalization.

A case study is an in-depth investigation of individual group, institution or phenomenon. It is a detailed study that is concerned with who, what, when, where and how of the
phenomenon in question. The importance of case study is emphasized by Yin (2004) who acknowledged that case studies contribute uniquely to our knowledge concerning the individual, an organization, social and political phenomenon. It also allows details to be secured from multiple sources of information and evidence to be verified through in-depth probing (Cooper and Emory, 1996).

3.3 Data Collection

This study required both primary and secondary data. Secondary data was obtained from the company’s records and website while primary data was obtained by conducting in-depth interviews with New KCC Limited heads of departments and selected managers who are involved in the strategy formulation and implementation. Out of the eight heads of departments and managers that were to be interviewed, only seven were successfully interviewed. A questionnaire was used to guide the interview.

The use of personal interview was applied to enable better exposure of the interviewee’s personal perspective and deeper thoughts. This less structured approach enabled the interview process to be much more like a chat rather an interview with predetermined responses.

3.4 Data Analysis

The type of data collected was qualitative and was therefore be analyzed using content analysis method, given that this was a case study whose respondents were drawn from a single organization. Kothari (2004) described content analysis as a method of analyzing
contents of documentary materials and most importantly, content of verbal material whether spoken or written.

According to Mugenda and Mugenda (1999), content analyses method is appropriate for case studies because it allows the researcher to provide a systematic description of the composition of the objects that comprise the study. Content analysis method was therefore used to analyze qualitative data that was collected from interviews and discussions.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter is based on the analysis of the data collected through interview guide to Heads of departments and selected managers involved in strategy formulation and implementation at New KCC Ltd to address the objective of the study. It includes highlights on respondents’ profiles, environmental challenges facing New KCC and strategic responses adopted by the organization to cope with the changes. A response rate of 87.5% was achieved after successfully interviewing seven respondents out of the intended eight respondents.

4.2 Respondents’ Profiles

The respondents in this case were the heads of department and selected managers who were directly involved in strategy formulation and implementation in their respective departments which had an outlook of the organization plan. The top level managers were selected because of their in-depth understanding of issues pertaining to operations and strategic management at New KCC Ltd. All the respondents i.e. Chief Manager Factory Operations, Chief Manager Human Resource and Administration, Chief Manager Finance, Chief Manager Sales and Marketing, Head of ICT, Head of Procurement, and Research and Development Manager were all based at the company’s head office in Nairobi Kenya.

The information gathered from the respondents indicated that the majority of them have vast experience and knowledge in New KCC Ltd as most of them had worked at New
KCC for a period of over 5 years. Their experience in the organization, educational level and background proved to be a great source of knowledge and information on the topic of the study. Majority of the respondent were holders of Master’s Degree in various fields. Out of the seven respondents interviewed, two were females.

4.3 Environmental Challenge facing New KCC Ltd

The respondents identified economic decline, high interest rates, poor legislation, stiff competition, and taxation e.g. Value Added Tax (VAT), the ever changing customer needs and dairy industry liberalization as some of the environmental changes that have had effect on New KCC Ltd. The organization therefore had to respond appropriately.

4.3.1 Challenges from Economic Factors

The study revealed that changes in the economic environment affects each and every organization, New KCC Ltd included and this therefore determines the company’s strategies. High interest rates have affected the cost of capital for the organization which in turn affects its investment plans since New KCC Ltd is operating in dairy industry which is a business that is capital intensive especially with regard to importation of machinery and procurement of raw milk.

High inflation rates that Kenya has experienced has led to low purchasing power of the consumers who instead turn to other products or worse still, buy raw milk from hawkers when there is high inflation. Coupled with the recently introduced VAT by the government, majority of consumers tend to buy less of processed, packaged milk and
milk products which in turn leads to less sales revenue for New KCC Ltd. High inflation rates leads to high cost of processing machinery, packaging material and ingredients. Since New KCC Ltd imports are more than it exports, this leads to unfavorable balance of trade.

4.3.2 Challenges from Technological Factors

The food industry business and indeed dairy industry processes and operations are greatly influenced by technological development. The technology adopted by any industry determines the types and quality of products realized. The respondents concurred that technological changes have influenced New KCC Ltd in terms of investment in technology. This ranges from ICT all the way to the packaging and processing machinery. The study revealed that new technologies have introduced new packaging solutions and competitors are quickly adopting the cheaper and effective packaging technology. For instance more volumes of milk are now being packed in pouches unlike before where tetra classic packets were predominantly in use.

Rapid changes in ICT have also affected the way business is conducted both in the internal environment and with the external customers. This has affected how New KCC Ltd conducts its business as the company has been forced to not only invest in ICT but embrace its use as well.
4.3.3 Challenges from Government/Political Factors

The respondents reaffirmed that indeed government/political factors do affect greatly the operations of New KCC Ltd. New KCC Ltd being a state owned parastatal means that it sometimes suffers undue political influence from the government. This has sometimes affected the organization negatively.

The study revealed that New KCC Ltd was hard hit by the post-election violence which broke out after the highly contested 2007 election. Most of the New KCC Ltd plants that serve as cooling and collection points for milk in the catchment areas were negatively affected. New KCC plants and factories in the larger rift valley had to be shut down during this period. Raw milk intake dropped significantly as well as the sales volume following the mass displacement of people from certain regions.

Being a parastatal, the government expects New KCC to be the buyer of last resort thus has to keep buying more milk from farmers even during glut season to stabilize the industry. This affects the organization negatively as it has to buy more than it needs and at a price fixed by the government, when other competitors are buying only what they need and at lower price (supply demand forces coming into play). New KCC is also expected to sell its product for instance milk powder even to competitors during dry season when raw milk is scarce.

The devolved government has also created uncertainty on how some of New KCC Ltd operations will be handled. Since New KCC has a countrywide network, its presence in
various counties poses fear of unknown on how the county governments might react in future. Public Procurement and Disposal Act also affects the organization. It acts like a double edged sword, in that it curbs malpractices in procurement but also causes undue delays in making the necessary purchases. This has impacted negatively on some occasions.

4.3.4 Challenges from Competitive Factors

New KCC has faced competition in two fronts. Firstly there is competition in the acquisition of raw milk which is the main raw material for New KCC, especially during the dry seasons when raw milk is scarce. New KCC is forced to compete with so many processors not to mention the ever proliferating number of informal milk sellers (i.e. hawkers). Secondly New KCC faces competition in terms of selling its finished products. The liberalization of the dairy industry has seen the emergence of many milk processors who have eaten into the market share of New KCC. Weak legislation has also seen many raw milk hawkers operating without being controlled by the government.

Importation of cheap milk powder into the country by some processors has also negatively affected the operation of New KCC together with price wars that is the order of the day in the industry. New KCC has been at a disadvantage owing to its high cost of operation due to old facilities and machinery. Introduction of a variety of products in different packages, types and sizes has also had a major impact on New KCC’s ways of doing business. The ever changing customer’s needs and expectations have also had an impact on New KCC operations. For instance the need to produce tamper proof packaged
products like butter has seen New KCC investing in such technology/ machinery to satisfy and retain its customers.

4.3.5 Changes from Legal/Legislative Factors

The respondent revealed that so many legislations and regulatory requirements that New KCC has to comply with has had an impact on the organization as this comes with cost. For instance there is need to meet Kenya Dairy Board (KDB) requirement, National Environmental Management Authority (NEMA) requirement, and ISO Certification requirement among others.

New KCC constituent factories are ISO 22000; 2005 (Food Safety Management Systems) certified and is currently in the process of preparing to get ISO 9001:2008 (Quality Management Systems) certification which is a requirement for state run corporations. This has seen the organization direct its energy towards achieving this, through sensitization of its employees and hiring of consultants to assist with the implementation.

4.4 Strategic Responses of New KCC Limited

4.4.1 Strategic planning

Strategy is about winning (Grant 2000). While there is no dispute regarding the importance of strategy in business management, there does not appear to be any agreement as to what exactly strategy is and how exactly the winning is achieved. This in essence means that organizations can employ different tactics to achieve desired results.
According to the respondents, New KCC Ltd engages in long term strategic planning in order to remain focused on its vision, mission and objectives. The company has a strategic plan which covers five years and is reviewed for suitability and continued improvement biannually and annually. The organization has embarked on the implementation of a Quality Management System which is expected to improve processes and the overall system to result into customer satisfaction while efficiently utilizing their resources. The company has therefore come up with quality objectives which are sustainable, measurable, attainable, realistic and time bound for all the functional departments. These objectives have been cascaded down at all relevant function for its effectiveness.

The study established that New KCC management believes that listening to customers is vital to success, and therefore the organization endeavors to work with all its stakeholders in order to make the customers continue enjoying New KCC products. New KCC is currently poised to launch more products which is in line with its vision to be the preferred dairy and beverage company of international standing. Majority of the respondents asserted that products research and development is a strategy that seeks to increase sales by improving or modifying present products. For instance New KCC Ltd has modified its yoghurt variants from being just fruit flavored to having real fruit pulp yoghurt going by the brand name La-Yoghurt.

The majority of the respondents also concurred that senior managers at the organization are empowered to make strategic decisions. This has enabled the managers to be
proactive and continuously revise the strategies as dictated by the environmental changes. The strategies adopted by New KCC Ltd always take into consideration the industry dynamics as well as local business conditions. The study also revealed that New KCC Ltd communicates its strategy to all relevant levels throughout the organization starting from departmental meetings all the way down to the individual factories and plants. Furthermore performance contracting by all employees ensures that the company strategy is cascaded down to everyone with the targets and objectives clearly stated.

4.4.2 Marketing strategy

New KCC Ltd has enhanced its marketing strategy by hiring more qualified and talented sales and marketing staff to be able to drive and meet the organization’s sales and marketing objectives. New KCC Ltd has also woken up from the mentality of the old KCC which was the sole processor in the market; therefore New KCC Ltd has had to proactively seek to market its products. In achieving this, New KCC Ltd has embarked on massive advertisement and promotion of its products through electronic media and billboards and engaging in Corporate Social Responsibility e.g. supporting athletics.

The study established that most of the time new products are developed based on the market requirements. The changes in customer’s needs have seen the introduction of products like fat free milk “my choice” for special groups of people. Changes in the packaging materials and sizes have also been effected as part of marketing strategy. New products have also been introduced e.g. fermented milk (mala) in pouches,
and introduction of herbal cheese for particular niche markets. Butter is also being packaged not only using parchment paper, but also in plastic tubs which are tamper proof.

With the establishment of export marketing department, New KCC Ltd has been able to get into new markets such as Tanzania, Rwanda, Burundi, Uganda and recently the South Sudan. Ghee is particularly exported to Dubai, Syria and Malaysia. This has improved the revenues of New KCC although there is still room to do more.

4.4.3 Technology Strategy

The study revealed that this is being implemented in two fronts i.e. with regard to information technology and machinery technology especially for packaging. The use of information technology affects every aspect of business, transforming not only the way business is done but also creating new business sectors. The research established that New KCC has invested heavily in ICT for the last five years. For instance there has been increased usage of internet and intranet services which has made communication instant. The introduction of Internet Protocol (IP) telephony has also made communication more efficient. The New KCC website and email services have made communication with the customers better than ever.

The study also showed that New KCC had computerized all its core business processes through the installation of integrated Systems Application and Products (SAP) in Enterprise Resource Planning (ERP) system to improve its productivity and
competitiveness. Through SAP production and sales activities can be monitored with precision resulting into streamlining of processes.

In terms of packaging and processing machines, New KCC is moving away from Tetra Brik Aseptic (TBA) for long life milk packaging to Tetra Classic Aseptic (TCA) as well as Tetra Fino Aseptic (TFA). TFA is particularly suitable as a low cost package for long life milk. There have been investments in machines to pack butter in tubs as opposed to the traditional packaging using parchment paper. New KCC is also currently in the process of acquiring machinery to produce aseptic milk in pouches which is a cheap long life milk. This is expected to attract and retain more customers. New KCC has also invested in high technology state of the art milk dryers at its Eldoret factory for processing instant milk powder which has seen New KCC Ltd acquire and retain Nestle Foods Ltd and Nairobi Bottlers as its customers for these specialty products.

4.4.4 Human Capital Management Strategy

New KCC Ltd has a designated Chief Manager Human Resource and Administration together with other human resource officers who are in charge of employee industrial relations, training and development of employees, and occupational health and safety of the employees. This has mainly been prompted by the recognition of the importance of human capital in the company’s performance. New KCC has invested in developing its employees through training needs analysis for employees in liaison with the departmental heads and factory managers to come up with a training/development programme. This is normally provided for in the company’s budget.
The study established that New KCC has now embarked on employing staff based on the needs which is backed by staff establishment. The staff engaged have to be highly skilled and with good education for instance those in production and quality assurance sections have to be highly trained, since dairy products are highly sensitive and perishable. Any single mistake resulting from incompetence can lead to huge losses besides customer complaints. The workforce in other departments is equally up to the task. Gone are the days when political patronage determined who was to be employed and in what position.

4.4.5 Competitive strategies

The study revealed that despite the presence of many competitors at the market place, New KCC still commands a considerable share of the market. This is because of New KCC’s consistent production of a variety of quality milk and milk products.

Long Heritage (brand name) of New KCC together with its country wide presence in operations and products has given it advantage over competitors. KCC is also the only dairy processing organization in Kenya with a wider product mix which amounts to more than 124 stock keeping units (SKUs). This means that New KCC can be felt everywhere and in any conceivable dairy product in the country.

The study also revealed that New KCC has diversified its products overtime. Introduction of Tetra Rex Packages with screw caps for yoghurt, yoghurt in cups, butter in tubs are some of the related diversification that the organization has engaged in. Some of the New KCC products and in particular, butter and fermented milk (mala) are unrivalled in the
market. This is from customer survey that is periodically conducted. This has rejuvenated and encouraged New KCC to continue perfecting the art of producing these products to not only retain the customers but raise cost of switching to competitors products as well. Other products are also being considered for nurturing to that level.

New KCC proactively monitors the performance of its products in the market and only retains those that are successful. It is in this spirit that New KCC engaged in divestiture strategy. For instance there has been a shift from production of Tetra Classic milk packages to milk packed in pouches ,and from Tetra Brik Aseptic 200ml (TBA) to Tetra Fino (TFA). Products like Shakalaka (whey flavored drink), Tavern cheese, Standard fresh milk, banana flavored yoghurt and natural yoghurt have since been withdrawn from the market due to their unpopularity.

In terms of procuring the raw milk, New KCC is partnering with many dairy farmer groups in order to be able to get enough milk. New KCC has taken advantage of its countrywide network to be able reach the farmers. Farmers’ extension services through the field service officers are also actively going on. New KCC is also actively seeking to boost its raw milk intake by opening satellite cooling points throughout the country’s rich catchment areas for instance Kajiado Women Group cooling centre at Bisil was opened about two years ago to tap into raw milk from that region.
4.5 Discussion of Results

4.5.1 Link to Theory

Pearce and Robinson (1997), defined strategic response as the set of decisions and actions that result in the formulation and implementation of the plans designed to achieve a firm’s objectives. William and Hergaty (2007) state that the role of strategy is to identify how the company will cope with its ever changing and turbulent environment, to prescribe initiatives and other actions the company will take to win its desired position in the turbulent environment, and to articulate dominant mission that will be the focus around which diverse company activities can be integrated. From the findings of the study, New KCC has embraced Pearce and Robinsons’ definition and William and Hergaty’s statement in that the organization has a strategic plan in place which helps in identifying how the company copes with its environment.

Due to the liberalization of the dairy industry in Kenya and the advent of stiff competition, New KCC has had to come up with strategies to not only monitor its environment but to also take appropriate action. This is done both proactively and reactively depending on the circumstances. Competition and the ever changing customer needs has driven New KCC to actively engage in sales and marketing activities and redeploying its resources towards product research and development to meets its customer needs.

The findings of the study established that New KCC took some measures to address changes in the environment so as to remain competitive in the dairy industry in Kenya.
Some of the strategic responses adopted by New KCC sought to minimize if not neutralize the competitors’ effect. New KCC Ltd has also continued to expand its product mix range to not only satisfy its customers but to increase its visibility as well.

New KCC Ltd is also striving to meet the international requirements for manufacturing of its products. This has seen New KCC acquire ISO 22000:2005 certification and Halal Certification which has opened the doors for New KCC to sell its products anywhere in the world. Quality Management System that the organization is currently implementing is aimed at improving its services and products in terms of effectiveness and efficiency. This is being implemented wholeheartedly by the organization due to realization that quality in totality is fundamental for the organization to remain competitive.

4.5.2 Comparison with other Empirical Studies

Several studies have been done to establish how organizations have responded to changes in the environment. Wairegi (2004) studied the strategic response by Life Assurance Companies in Kenya to changes in their environment and concluded that insurance companies faced challenges such as economic recession, inflation, political instability and uncertainty and responded through new products development, development of distribution channels and computerization of their core business processes among others. Ngong’a (2011) studied strategic responses of Nestle Foods Kenya Limited to the changing environment of food industry in Kenya and made the following conclusion. That in the modern world of stiff competition, Nestle Foods Kenya Ltd has been able to keep pace by adopting various strategic responses including plant expansion, outsourcing
non-core services, diversifying its product range to reach more consumers and upgrading its information technology among others.

New KCC has not been spared either, from similar environmental challenges such as economic decline, inflation, political instability and uncertainty, stiff competition from milk processors and informal milk vendors (hawkers), rapid technological changes, lack of strong proactive legislation to protect the company from unfair competition and even from raw milk hawkers. These findings show that New KCC Limited faces challenges similar to those faced by other organizations operating in Kenya except those that are unique to dairy industry such as access to raw milk which is the main raw material for the company. Other industries face legislative challenges which are also faced by New KCC.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the main findings and discusses them in relation to the statement of the problem and the objectives of the study. In addition, it includes action and suggestions for further research.

5.2 Summary of Findings

5.2.1 Environmental Challenges faced by New KCC Limited

There have been numerous changes in Kenyan economy in the last decade. The major environmental factors that have had an effect on the dairy industry and New KCC Ltd in particular are among others, economic decline, liberalization, legislative changes, rapid technological changes and more consumer awareness.

The above mentioned challenges have contributed to the intense competition in the dairy industry especially through wide range availability of products, fierce advertisements and promotions, intense fight for raw milk acquisition which has led to increased rivalry within the industry. New entrants into the milk processing business and the ever proliferating informal milk vendors (hawkers) were found to be a big threat to New KCC Ltd both in the finished products market and in acquisition of raw milk. As a result of these, New KCC has had to take measures to counter the impact of such environmental forces.
5.2.2 Responses of New KCC to Changes in the Environment

New KCC has addressed its changing environmental situation by formulating and implementing strategic responses. These include initiatives such as new products development, venturing into the export business to increase market share, diversification, investment in human capital, investing in intensive marketing, adoption of information technology among others.

The strategic responses adopted by New KCC have had a positive impact on the business. For instance the export market is still yet to be satisfied, and introduction of yoghurt in cups has seen yoghurt volumes packaged double in the last five years.

5.3 Conclusion

The study established that the challenges faced by New KCC Ltd were liberalization which increased competition from other milk processors and informal milk vendors, economic decline, high inflation rates, government influence and political instability together with unfavorable legislations which has many requirements to be met yet not strong enough to eradicate raw milk hawking and regulate cheap export of dairy products especially milk powder. All these have had a major impact on New KCC Ltd such that if left unattended, would spell disaster for the organization.

To counter these effects, the organization has developed and implemented strategies such as establishment of export sales office to run and expand export market, new products development, diversification, investment in human capital, aggressive marketing
strategies and adoption of information technology. However the study established that there is need for more strategic actions to be undertaken by New KCC Ltd in order to enable the company create a strategic fit to its environment. The study also established that the organization has the necessary capabilities such as its countrywide network and long heritage to adopt strategies that would facilitate effective response by New KCC to the turbulent environment.

5.4 Recommendations

The environment in which organizations operate is turbulent and forces organization to continuously come up with strategic responses which should be well crafted and appropriately executed. Organizations within an industry must ensure that in a rapidly changing environment, they respond strategically so as to remain relevant to consumers and to counter competition.

In view of the above, New KCC should become more proactive rather than being reactive in managing its changing environment and the same should apply to other practitioners including investors in the dairy industry. This can be achieved by formulating and implementing strategic initiatives that would pre-empt any anticipated adverse changes in its environment. Decision making by the senior management at New KCC should be enhanced more and more, red tapes to be done away with such that quick strategic decisions can be made instantly. The study revealed that many opportunities have been missed in the past due to delays in decision making.
Aseptic packaging of milk in pouches should have been done like yesterday. This is because the product is popular with many consumers and distributors as it does not require cold chain, which is a challenge to many households in Kenya. The fact that some competitors are already doing this should push New KCC to keep up with the pace.

The study also found that the government as the policy maker should be able to formulate legislations that are pro-industry to enhance the economic growth of the industry. The government should clearly support consumption of processed and packaged milk and discourage raw milk hawking which has negative health implication on the unsuspecting consumers, and clearly have a mechanism to regulate the players in the industry.

The scholars and academicians in the field of strategic management should endeavor to carry out further research on the dairy industry as a whole in order to better understand the dynamics in the industry and come up with better recommendations to improve the industry. Further studies should also be carried out to evaluate the success of strategic responses adopted by New KCC Ltd.

5.5 Limitations of the Study

The researcher encountered lack of full commitment from some respondents who were to be interviewed due to their busy work schedules. Some of the respondents were not willing to spend time being interviewed. In such circumstances, the interview had to be rushed without leaving room for probing for further answers.
The study was also based on New KCC Ltd only. The scope and depth of the study was also limited by time factor which put the researcher under immense pressure during the research period.

5.6 Suggestions for Further Research

This was a case study focusing on New KCC Ltd a state owned corporation. It is recommended that a study on other players in the industry be done to establish the challenges they face as well as the strategic responses they have adopted to cope.

A study should also be carried out in future to evaluate the success of strategic responses adopted by New KCC Ltd. This would shade light on whether the strategies adopted helped to create competitive advantage or not. This will help in validating the results of the strategies adopted.
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New Delhi


DATE: 15.8.2013

TO WHOM IT MAY CONCERN

The bearer of this letter, ODUOR MICHAEL OLWOCY,

Registration No. 261/67545/2011,

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

P.O. Box 30197
Nairobi, Kenya

15 AUG 2013
Appendix 2: Interview Guide

**Introduction:** This interview guide seeks information on Strategic responses of New KCC Limited to the Environmental Changes. All information will be treated confidentially and for academic purpose only.

Name of respondent (Optional)…………………………………………………………………………

Level of Education……………………………………………………………………………………

Job Title………………………………………………………………………………………………

Department…………………………………………………………………………………………

How many years have you been with New KCC Ltd………………………………………?

Do you like your position in the organization…………………………………………………?

Section A: **Environmental Challenges facing New KCC limited.**

1. Have you faced any major changes in the environment in which you operate in the past 5 years?

2. What are some of the changes that have had major impact on you operations from the environment (Consider economic factors e.g. inflation, exchange rates, interest rates etc.)?

3. Have there been any changes in Political or Legal environment that has affected your operations? If yes, how have they affected your operations?

4. What changes have taken place at New KCC due to competition?

5. Have there been any technological changes that have affected your operations (e.g. ICT and others)? Please explain.
6. How has the ever changing customer needs affected the operations of New KCC Ltd?

Section B: **Strategic responses to changes in the External Environment.**

1. Have you made any arrangement to mitigate the consequences of the above mentioned challenges?

2. What are some of the strategies adopted by New KCC Ltd to respond to these changes? Briefly explain.

3. To respond to Political and Legal changes, what strategies have you been able to put in place?

4. What strategies have you put in place to counter competition?

5. What strategies have you put in place to respond to customer influence?

6. Has there been corporate restructuring in New KCC in the last Five years?

7. Has New KCC introduced new products or features to the existing products in the last Five years?

8. Has New KCC captured new markets in the last Five years? If yes explain.

9. Have any critical resource(s) or capability (ies) that is hard to imitate by new entrants or competitors in your operational environment? Please explain.

10. Has New KCC divested from a line of business or withdrawn a product in the last Five years?

11. Do you conduct regular customer satisfaction survey?


13. Has New KCC Ltd diversified its activities/products in the last Five years?
14. What informed No.10 and 13 above?

Section C: **New KCC Limited Profile (Strategy and Planning)**

1. Do you have a strategic plan? If yes, what period does it cover and how often is it reviewed?

2. Are senior managers empowered to make strategic decisions?

3. Does management communicate the strategic plan effectively and how is the communication done?

4. Does New KCC have short term targets to monitor it adaptation the changing environment? Please explain.