

**RESPONSE STRATEGIES TO MACRO-ENVIRONMENTAL CHANGES
BY ALCOHOLIC DRINKS MANUFACTURING COMPANIES IN
KENYA**

BY


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**A Research Project Report Submitted in Partial Fulfillment of the
Requirements for the Award of the Degree of Master of Business
Administration (MBA), School of Business, University of Nairobi.**

November 2011

DECLARATION

This management research project is my own original work and has not been submitted for a degree in any other university.

Signed  Date 15/11/2011
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This management Research project has been submitted for examination with my approval for examination as the University supervisors.

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ACKNOWLEDGEMENTS

My special gratitude first goes to God Almighty for giving me the strength and wisdom to complete this process. I am also thankful to my supervisor, Dr Vincent Machuki for his patience and guidance throughout this project. I appreciate the knowledge and skills that all my other lecturers have imparted in me through class work.

Special thanks to my group members in my MBA class and all my other classmates especially Mercy Oluoch, Jacqueline Oundo and George Monari, for their commitment and guidance throughout this process. I also acknowledge Mr. Alex Jaleha for his reliable guidance in my research project. My appreciation also goes to the heads of corporate strategies and the marketing managers of the alcoholic drinks manufacturing firms in Kenya for their valuable responses and time they accorded me to ensure the process was a success.

DEDICATION

To my Husband,
Mr. Andrew Osodo,
For his moral and emotional support
And
To my children,
Joy, Wendy, Ruby, Georgi and
Jewel

For their encouragement and support throughout the entire course

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ACRONYMS AND ABBREVIATIONS

EABL	East African Breweries Limited
COMESA	Common Market for East and Southern Africa
HIV	Human Immune Virus
AIDS	Acquired Immune Deficiency Syndrome
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KAM	Kenya Association of Manufacturers

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ABSTRACT

The macro environment is continuously changing and the organizations need to be flexible in order to adapt to the changes. Organization flexibility is the main capability that enables companies to face environmental fluctuations as it makes the organization more responsive to change. For this reason this study sought to investigate the response strategies to macro-environmental changes by alcoholic drinks manufacturing companies in Kenya. The study had two objectives namely: to establish the challenges facing the alcoholic drinks manufacturing firms in Kenya as a result of changes in the macro environment and to determine the response strategies adopted by alcoholic drinks manufacturing companies in Kenya in order to cope with the macro environmental changes.

The study adopted a descriptive survey design as the main design for the study. The study also adopted the census as the study technique to select all the alcohol manufacturing companies in the country. The study used the questionnaires as the main method of data collection. The study found that the response strategies that were adopted were differentiation, strategic alliances, mergers, acquisitions, new product development, cost leadership, positioning, divestiture, diversification, new markets, new products, new services, unrelated diversification and turnaround strategy. The study suggested that future researchers should to a correlation study that seeks to relate the response strategies and the challenges facing the alcohol manufacturing firms so as to determine the impact of the response strategies on the challenges.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The environment in which organizations operate is dynamic and therefore, organizations constantly find themselves in situations where they not only have to respond to the environmental changes but they also have to anticipate them. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities as failure to do this may put the future of the organization in jeopardy (Aosa, 1998).

Organizations are open systems and thus cannot operate without interacting with the external environment. In order for an organization to remain successful in its business there is need to understand the opportunities and threats that are provided by the external environment so that companies can take advantage of the opportunities and avoid threats (Xu, Lehaney, Clarke and Duan, 2003).

Johnsons, Scholes and Whittington (2008), state that the macro environment consists of broad environmental factors that impact to a greater or lesser extent on almost all organizations and that it is important to build an understanding of how changes in the macro environment is likely to impact on the individual organization. They add that the starting point in building an understanding can be provided by the pestel framework which identifies how future trends in the political, economic, social, technological, ecological and legal environments might impinge on organizations.

1.1.1. Response Strategies

Pearce and Robinson (2005) define strategic response as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. They add that managing activities internal to the firm is only part of the modern executive responsibilities. The modern executive must also respond to the challenges posed by the firm's immediate and remote external environment. The remote external environment comprises; political, economic, socio-cultural, technological, ecological and legal developments all of which must be anticipated, monitored, assessed and incorporated in the executives decision making. Response strategies are processes employed by the executives of the firm in order to deal effectively with everything that affects the growth and profitability of the firm so that it can position itself optimally in its competitive environment by maximizing the anticipation of the environmental changes.

Response strategies enable the organization to cope with the increased uncertainty and turbulence in the macro environment and they include a blend of long range planning, new venture developments, budgeting and business policy. In responding to the macro environmental challenges, increased emphasis is placed on environmental forecasting and external considerations in formulating and implementing plans. Some of the response strategies that have been adopted by organizations to counter the macro environmental challenges include; diversification, differentiation, focus, cost leadership, strategic alliance, new product development, innovation, mergers and acquisitions.

According to Dettwiller, Lindelof and Lofsten (2006), organizations often respond to changing environmental conditions as major shifts in the business environment can make strategies obsolete. Studies show that entrepreneurs are capable of minimizing the

negative impact of business environment if they are willing to equip themselves with the appropriate competencies (Ahmad, Ramayah, Wilson and Kummerow 2010). Lee (2011) observes that as the world becomes more connected and interdependent information and communication is made to be instantaneous and omnipresent, computing power becomes faster and more ubiquitous and climate change and energy usage become global imperatives, large organizations must respond in turn or fade away. According to Mau (2004), for companies to thrive under these conditions, sustaining their performance and growth, they must come to terms what is dubbed “massive change”.

1.1.2 The Macro Environment

The macro environment is defined as the major external and uncontrollable factors that influence an organization decision making and affects its performance and strategies (Pearce and Robison 2005). The macro environment plays a fundamental role in the firms' decision-making process which views the macro environment in terms of the opportunities or threats that it delivers to the firm (Teece, Pissano & Schuen, 1997). The macro environment is continuously changing and the organizations need to be flexible in order to adapt to the changes. Verdu and Gomez-Gras (2009) observes that organization flexibility is the main capability that enables companies to face environmental fluctuations as it makes the organization more responsive to change. Sommer (2003) adds that flexibility is an indispensable requirement for organizations survival in the 21st century. Many managers feel that the pace of technological and the speed of global communication mean more and faster change now than ever before (Mintzberg, 1994).

An organization macro environment consists of non-specific aspects of the organizations surrounding that have the potential of affecting the organizations strategies. The macro

environment consists of forces that originate outside of an organization and generally cannot be altered by the actions of the organization. That is to say that, a firm may be influenced by changes within these elements of its environment, but cannot itself influence the environment (Gupta, 2009). According to Szyliowicz, Kennedy and Wilson (2004), a richer understanding of the effect of the macro environment can contribute to a better understanding of a firms' capabilities as well as its limits. Macro environmental variables include socio-cultural, technological, political, economic, ecological and legal variables. A firm must consider these variables as part of its environmental scanning to better understand the threats and opportunities created by the variable and how strategic plans need to be adjusted so that the firm can obtain and retain competitive advantage (Parnell, Lester and Menefee, 2000).

According to Nwankwo (2000), macro environment forces are acknowledged to be an important determinant of strategy selection, however, their associated uncertainties frequently pose the greatest threat to the strategy-making process. For this reason, in part, literature is replete with studies explaining the cause-and-effect relationship between macro environmental forces and strategy.

1.1.3 Kenya's Macro-environment

The Kenyan macro environment has undergone numerous changes in the recent past. Some notable changes include; heightened political activity, accelerated implementation of economic reforms, the globalization and liberalization of the economy, discontinuation of price controls, privatization, commercialization of the public sector and increased international competition. The macro environment in Kenya is dynamic and encompasses

all six major relevant ingredients that include political, economic, social, technological, ecological and legal factors (Economic Survey Report, 2010)

Kenya vision 2030, launched by the Kenya government on 30th October 2006, is the country's development blueprint covering the period 2008 to 2030. It has the political, social, economic and macro enablers as its pillars with the objective of making Kenya a globally competitive and prosperous nation providing a high quality life to all its citizens by the year 2030. The political pillar of vision 2030 envisages an issue based, people-centered, result-oriented and accountable democratic political system. The promulgation of the new constitution in August 2010 is one clear pointer towards the achievement of the political pillar of vision 2030.

The social pillar of vision 2030 is geared toward investing in the people of Kenya in order to improve their quality of life by targeting a cross-cutting section of human and social welfare projects and programs, specifically education and training, health environment, housing and urbanization, gender, children and social development, youth, sports, labor and employment. In Kenya, there has been a tremendous growth in technology in the field of communication that has seen the introduction of mobile telephone, mobile money transfer services and internet services. This growth has provided great opportunity for growth and ease of business operations (Economic Survey Report, 2010).

The most recent notable change in the Kenya legal scene is the promulgation of the Constitution of Kenya in August 2010. The constitution, which is the supreme law of the land, makes provisions for consumer protection, human right, gender issues, and

employment among other provisions that directly affect how businesses should operate (KIPPRA Report 2011). According to the Economic Survey Report (2010), the slow growth in domestic economy has been attributed to unfavorable weather conditions among other factors. The depletion of the natural environment due to human activities has led to global warming thus adversely affected the Kenyan economy whose backbone is agriculture.

The alcoholic drinks manufacturing industry in Kenya can be traced back to 1922 when two brothers from England started manufacturing beer under the name of Kenya Breweries Limited. The brothers made their company public in 1934 and changed the name to East African Breweries Limited (EABL). Alcoholic drinks manufacturing industry is thriving in Kenya due to the abundance of barley and its availability (Kenyan Beer Industry Report, 2010).

Kenya has a flourishing alcoholic drinks manufacturing industry producing beer that is recognized internationally (Letiwa 2010). This has been possible due to factors such as good climate for agri-production, availability of barley, affordable labor, local market, access to regional markets like COMESA and the East African Community. Kenya's strategic location in the East African Coast provides accessibility to the East and Central African markets via international seaport. The Kenya government has additionally set up investor friendly centers such as the Export Processing Zones Authority and Investment Promotion Centre to facilitate investors setting up projects in Kenya (Kenyan Beer Industry Report, 2010).

The local and global alcoholic drinks manufacturing industry has experienced major developments that have led to increased regulation by the government and government agencies. The industry also witnessed mergers and acquisitions, a trend that is likely to continue as firms compete to establish market share in emerging markets, the rise in purchasing power and product differentiation will help in driving the increase in beer market value in future (World Beer Report, 2009).

In Kenya the two main players in the manufacture and sale of alcoholic drinks are East African Breweries Limited (EABL) and Keroche Industries Limited, commanding 95 and 2 percent market share respectively as at November 2010 (Karanja 2010). The remaining 3 percent is shared among 9 minor players in the industry (Food Beverages & Tobacco directory, 2007-2011). Like all businesses, the beer industry in Kenya has been experiencing numerous challenges especially due to the perception that alcohol is the root cause of many ills and evils in the society. On the political front, the government has many policies that have created hurdles in the industry such as levying high excise duty on beer every year (Top 10 Taxpayers' award, 2010).

Beer firms also face legal challenges occasioned by the stringent licensing regime and other regulations as manifested in the recently enacted Alcoholic Drinks Control Act (2010). The said Act place a lot of stringent hurdles in the manufacturing, distribution, sale and consumption of alcohol such as the hours of selling alcohol, location of bars and quantities of alcohol packaged among other limiting provisions.

On the social front, consumers needs have been changing over the years with more and more people becoming health conscious due to the high awareness levels of the health

related side effects of alcohol (Report on national drug abuse, 2011). At the technological level, the alcoholic drinks manufacturing firms have acquired the latest state of the art machinery and equipment that make the manufacturing of their drinks faster and easier (EABL acquisitions approved, 2010). Beer firms have also been adversely affected by the changing weather patterns brought about by the global warming that have led to the reduction and erratic rainfall patterns thereby affecting the supply which is the major ingredient in beer production (GOK, 2010).

1.2 Statement of the Problem

One of the most daunting problems facing all organization is how to cope with uncertainty in the face of an ever changing turbulent environment. This uncertainty increases as the environmental conditions become more dynamic and complex. According to Johnson *et al* (2008), managers whether in private or public sector must make sense of the uncertain world around the organization and respond appropriately. It is important for organization to be able to shift strategies with changes in the environment so as to match their capabilities to the selected strategies in order to survive and remain relevant (Porter, 1985).

Alcoholic drinks firms in Kenya are constantly confronted with the challenges of formulating and implementing strategies to enable them respond to the challenges in order to survive in the ever dynamic business environment. These challenges include political instability, worldwide economic recession, increase in excise duties, negative perception of alcohol as the cause of many evils, change in technology, global warming leading to changes in weather conditions and the changes in legal environment among other challenges.

Many local studies have been done in Kenya regarding response strategies to macro-environmental challenges. Some of them include: Gitobu (2000), whose study focused on the influence of macro-economic indicators in the Stock Market. The study of Muturi (2000), on strategic responses by firms facing changed competitive conditions, was purely a case study of EABL Ltd. Rarieya (2001) investigated the social responsiveness of pharmaceutical firms to the HIV/AIDS pandemic, a case of selected firms in Kenya while Mutua (2004), did a case study of university of Nairobi on its responses to changing environmental conditions. The above studies are different from this study in their concept and context. A review of the local empirical studies did not reveal any studies on how firms in the alcoholic drinks manufacturing industry have responded to the changes in their macro environment. This study therefore seeks to narrow the knowledge gap by addressing the question; what response strategies have the alcoholic drinks manufacturing companies in Kenya adopted to address the changes in the macro environment?

1.3 Research Objectives

This study aims to achieve the following research objectives:

- i) To establish the challenges facing the alcoholic drinks manufacturing firms in Kenya as a result of changes in the macro environment.
- ii) To determine the response strategies adopted by alcoholic drinks manufacturing companies in Kenya in order to cope with the macro environmental changes.

1.4 Value of the Study

The study will be helpful to researchers and academicians who seek to develop theory on strategy and understand the delicate nexus between the organization and the environment in which they operate. It will also provide information for further research into the alcohol manufacturing industry.

This study will assist managers understand and manage the turbulent environment that the alcoholic drinks manufacturing firms in Kenya face. The study will be helpful to managers and consultants working in the alcohol industry, as it will show how firms can operate in an uncertain environment and still keep on posting healthy financial reports.

The findings of this study will be beneficial to the government in understanding the effectiveness of their policies and the implications of the changing legal regimes to traders, manufacturers and consumers of alcohol. It is hoped that this study will give insights that can lead to improvement of the existing regulation laws so as to make them more relevant and applicable to the prevailing economic and social circumstances.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews details discussed by other writers in the field of strategic management. It gives clarification on the response strategies proposed by strategic theories, generic competitive strategies and common strategic responses to the environment as practiced in the business world.

2.2 Business Environment

The business environment transformation process does not take place in a vacuum. According to Ward and Lewandoska (2008), the choice of an appropriate business strategy is moderated by the environment and that firms aspiring to meet the challenges of rapidly changing business environment require management decisions that are founded on well conceived strategies. The business environment can be divided in the micro environment and macro environment.

The micro environment involves individual or organizations that a firm deals with on a regular basis such as suppliers, distributors, competitors, customers and employees. These groups are stakeholders of business and all have a direct interest in the activities of the firm as they are clearly affected by its actions. Managers regularly interact with others in the micro environment and their decisions have a direct effect on them, for example a decision to expand may mean an increase in supplies, an increase in overtime, more deliveries and greater profits.

The macro environment refers to factors outside the direct control of the business. These macro-factors such as economy, government policy, technology and social change can

have a significant effect on a firm's success but the relationship is fairly one way; for example, change in the exchange rate can affect the ability of a firm to trade abroad while an ageing population may increase the demand for healthcare resources. Whilst these macro-factors can fundamentally change the environment of an organization, one individual organization can rarely do much on its own to shape them. that is to say that, one firm is unlikely to be able to influence the government taxation policy or new legislation.

2.3 The Macro-environment

Macro environment includes all relevant factors and influences outside the organizations boundaries. Numerous external factors influence a firm's choice of direction, action, structure and internal processes. Factors which constitute the external environment can be divided into three interrelated categories namely; factors in the remote environment, industry environment and operating environment (Pearce and Robinson, 1997). The remote environment comprises the political, economic, socio-cultural, technological, ecological and legal factors which are factors that originate from beyond the organization irrespective of its operating situation. While the external environment presents firms with both threats and opportunities, rarely does a firm exert any meaning reciprocal influence.

Political factors define the legal and regulatory parameters within which the firms must operate and are therefore a major consideration for managers in their formulation of the organizations strategies. According to Pearce and Robinson (1997), knowledge of government regulations gained through the scanning of remote environment can help a firm to avoid unnecessary confrontation with the government and the law. Political constraints are placed on firms through fair trade decisions, antitrust laws, tax laws.

minimum wage legislation, pollution and pricing policies, consumer protection laws and other actions aimed at protecting employees, consumers, the general public and the environment.

Economic factors refer to the nature and direction of the economy in which the firm operates. Consumption patterns are largely determined by the income levels, firms must consider the general availability of credit level and availability of income and the propensity of people to spend money on certain products and services. Interest rates, inflationary trends and rates, growth of the gross national product and Gross Domestic Product (GDP) must also be taken into consideration(Pearce and Robinson 2005).

Socio-cultural factors refer to the beliefs, values, attitudes, lifestyles and opinions of the people in the firm's external environment. Social factors develop firm religious, cultural, ecological, demographic and ethnic conditioning and as the social attitudes change, so do demand for various types of goods and services.

Technological developments all over the world have had a great influence in the operations of almost all firms. A firm must at all time be aware of the technological changes that might affect its industry so as to promote innovation and avoid obsolescence. Innovative technological adaptations can enable firms create new products and services, improve the existing products or name new and more effective manufacturing and marketing techniques (Pearce and Robinson 2005).

Ecology refers to the relationship between humans and other living things to the air, soil and water that support them (Pearce and Robinson, 1997). Threats to the ecology caused principally by human activities in an industrial society are referred to as pollution. Legal

factors include discrimination law, consumer law, antitrust law, employment law and health and safety law. These factors can affect how a company operates, its costs and the demand for its products.

2.4 Organization-Macro Environment Interface

Managements can only be successful in implementing change if they are vigilant in their business environment. Vigilance involves careful monitoring and analysis of the external environment to identify and analyze change that would significantly alter the 'rules of the game' and indicate a need for alterations in the change processes within the organization (Amenya, 2008). In a changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities as failure to do this may put the future success of the organization in jeopardy (Aosa, 1998). Lengopito (2004) observes that it is imperative for organization to keep reinventing themselves in order to keep abreast with the environment and be ahead of peers.

Emery and Trist (1965), suggest that the type of environment an organization finds itself in is determined by the degree and predictability of change (turbulence) and corresponding threats and opportunities. Change is normally not welcome and organizations will try to control it, absorb it, or minimize it (Ansoff, 1980). According to Thomson and Stickland (1993), it is necessary for organizations to use scanning techniques so as to predict environmental changes. Scanning techniques involve studying and interpreting the social, political, economic and technological events so as to identify trends that could affect the industry.

According to Lee (2011), the organization must continuously align its culture, strategy and social arrangement with the environment that surrounds it. Environmental intelligence, which is a process of constantly scanning the environmental domain for changes, is utilized to detect the changes, gather vital information, perform methodical analysis and present its reports to the executives in the organizations so that they can take appropriate actions for the well being of the organization. Organizations are constantly scanning the environment for new ways to foster innovation and new products or service development (Szyliowicz *et al*, 2004).

2.5 Response Strategies

Strategic response involves changes in the firm's strategic behavior so as to assure success in transforming future environment (Ansoff and McDonnell, 1990). Strategic responses include; culture change, marketing, information technology and restructuring (Smart and Vertisky, 1984). Organizational response requires that the firm obtains up-to-date and consistent access to information concerning the environment (Lansiluoto and Eklund, 2008). Access to the right information is of great importance as is indicated by the great number of different studies that emphasize the importance of environment analyses when companies formulate the strategies (Garg, Walters and Priem, 2003). Strategic and information systems are examples of tools that can be utilized for analyzing the environment (Grover and Segars, 2005). The focus of these systems should be on the external environment so that companies can take advantage of opportunities and avoid threats (Xu *et al*, 2003).

Pettigrew and Whipp (1992) suggest that the environment should be analyzed at different levels being the macro, industry and the firm-specific environment. According to Dutton

and Duncan (1987), organizations elicit a vast array of responses to a changed environment. Some of the response strategies that organizations adopt to cope with the macro environmental changes include; differentiation, cost leadership, focus, mergers and acquisitions, strategic alliance, new product development, innovation, positioning, turn around, divestiture (Capon, 2008).

Differentiation involves serving a broad target market by providing a product or service that is different and better due to its added value while focus, is often used to describe strategies serving niche markets. Strategic alliance occurs when two or more companies agree to operate a joint project in order to access markets or secure favorable access to supply of raw materials and components (Lorange and Roos, 1993). Cost leadership occurs when companies seek to be the lowest-cost producer in their industry or sector in order to supply mass market. Mergers and acquisitions take place when one company joins or buys another or its shareholding respectively.

Diversification is a radical strategy that takes an organization away from both its existing markets and its existing products. In this sense, it radically increases the organizations scope (Johnson *et al*, 2008). Diversification can be chosen for a variety of reasons such as efficiency gains to be made by applying the organizations existing resources or capabilities to new markets and products or services. It is also useful in stretching corporate parenting capabilities into new markets and products or services, increasing market power by having a diverse range of products, responding to market decline, spreading risks across range of businesses and to fulfill the expectations of powerful stakeholders. Related diversification involves development with current capabilities or

the current value network while unrelated diversification is development of products and services beyond the current capabilities of value network.

Turn around strategies aim to make the company's marketing effort more effective so as to improve its position in the competitive environment, while divestiture is the act of selling off subsidiary business interests or investments. Innovation involves the conversion of new knowledge into new product, process or service and the putting of this new product, process or service into use, either in the market place or by other process of delivery.

Response strategies that organizations adopt in order to cope with the changes in the macro environment have been of academic interest for many years. The importance of responding appropriately and in a timely manner to the ever turbulent and uncertain macro environment cannot be gainsaid. Scores of scholars have studied different aspects of response strategies. Locally, Mwangi (2002), Muturi (2003) and Munuve (2010) investigated the different response strategies to the external challenges. Internationally, Parnell *et al* (2000), Verdu and Gomez-Gras (2009), Lee (2011) researched on organizational responses to the macro environmental changes.

None of the studies reviewed specifically covered the alcoholic drinks industry in Kenya or their response strategies to the macro environmental changes. The results expected from this study should therefore bridge the existing knowledge gap and shed more light on the response strategies by alcoholic drinks firms in Kenya to the changes in the macro environment. The findings are also expected to stimulate more in-depth research into this increasingly important topic.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The chapter highlights the methodology that will be adopted by the researcher in order to execute the study and realize its objectives. It includes the research design, population of study, data collection and data analysis.

3.2 Research Design

Research design refers to the overall plan or strategy for conducting the research. It describes the nature of the pattern that the researcher intends to follow (Oso and Onen 2008). The research design is considered as a “blue print” for research, dealing with at least four problems: what questions to study, what data are relevant, what data to collect and how to analyze the results.

This study adopted a cross-sectional descriptive survey design whereby data was collected from all members of the population. The descriptive research describes the state of affairs as it exists at present. Cross-sectional descriptive survey design was appropriate because all organizations were be contacted at one point in time. Mwamba (2010) successfully adopted the same design in his study involving a survey of three star hotels in Nairobi.

3.3 Population of Study

According to Oso and Onen (2008), the population of study is the total number of subjects or the total environment of interest to the researcher. It is the population that the researcher can actually investigate.

In this study, the target population was all the alcoholic drinks manufacturing firms in Kenya. There are a total of 11 alcoholic drinks manufacturers according to the e-KAM directory (2007/2011) which are mainly privately owned save for the government owned Kenya Wines Agencies Limited (Appendix II). Given the small size of the population under study, the researcher was able to study 9 out of all the alcoholic drink manufacturing firms and hence a census survey. The unit of analysis was therefore all the alcoholic drinks manufacturing firms in Kenya.

3.4 Data Collection

Data is anything given or admitted as a fact and on which a research reference can be based. The study made use of primary data which was mainly quantitative. Primary data refers to direct description of occurrence by an individual who actually experienced or witnessed the incident. Data was collected using self administered semi structured questionnaires that were designed to elicit specific responses for quantitative analysis.

The respondents were the head of corporate strategy and /or the marketing function in the firm. The questionnaire was administered through 'drop and pick later' method depending on the availability of the respondents so as to ensure high response rates. The questionnaire was divided into three parts namely; Part I was intended to collect background information on each alcoholic drinks manufacturing companies, Part II was intended to collect information on the macro environmental challenges affecting each firm, while Part III was intended to collect information on the response strategies adopted by the firms to counter the respective macro environmental changes.

3.5 Data Analysis

Data analysis entails the separation of data to constituent parts or elements or an examination of data so as to distinguish its component parts or elements separately and in relation to the whole. Data analysis enables the researcher to reduce the field of information to a usable size.

In this study descriptive statistics was used to analyze the data and the analysis was guided by the objectives of the study. The first objective of establishing the challenges facing the alcoholic drinks manufacturing firms due to the changes in the macro environment was analyzed using frequencies and percentages to reveal and describe the challenges arising from the macro environmental changes. The second objective of determining the response strategies adopted by the companies to cope with the challenges was also analyzed using frequencies and percentages so as to point out the most adopted response strategies to counter the changes. In both cases, mean scores were used to depict the relative gravity of each macro environmental challenge and the most adopted response strategy to deal with the changes. The data analyzed was presented in tabular and graphical forms for ease of interpretation and reporting.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

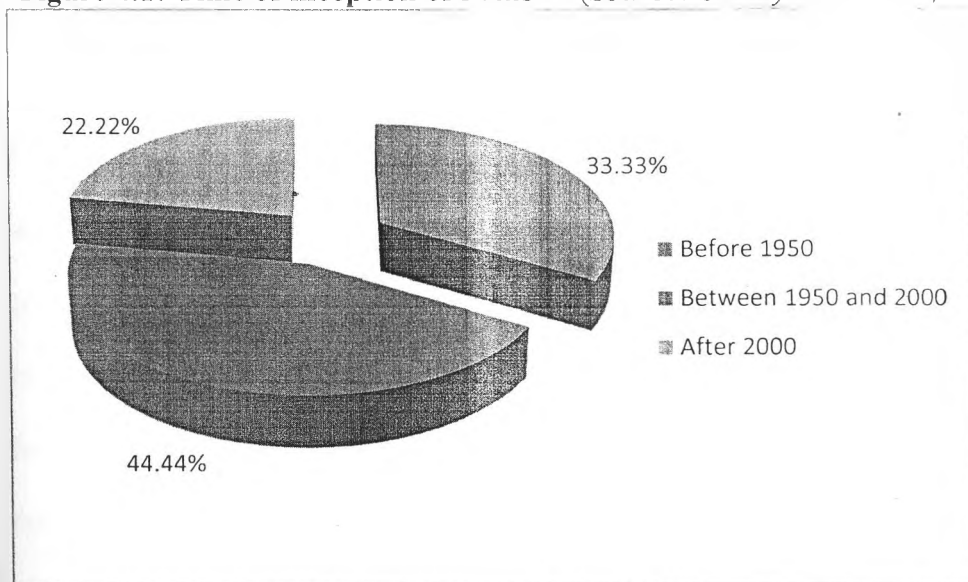
This chapter covers the findings of the research and data analysis. The study had two objectives namely to establish the challenges facing the alcoholic drinks manufacturing firms in Kenya as a result of changes in the macro environment and to determine the response strategies adopted by alcoholic drinks manufacturing companies in Kenya in order to cope with the macro environmental changes.

The study targeted 11 alcoholic drinks manufacturers in Kenya and was executed by the use of questionnaires designed to elicit specific responses for quantitative analysis. The researcher was however unable to get 100% response rate as two companies did not respond to the questionnaire and this led to a response rate of 81.81% which according to Cooper and Schindler (2000) is a response rate sufficient for a social scientific study to take place. This chapter covers the organizational bio data, the macro environmental challenges and the response strategies.

4.2 Organizational Bio Data

The researcher captured some background information from the companies under study. This information focused mainly on year of establishment of the firms and respondents position in the companies. The researcher chose to investigate these two characteristics because of their importance in explaining the challenges facing the alcoholic drinks manufacturing firms in Kenya and the response strategies adopted by them to the macro environmental challenges. The year of establishment of the firms is presented in Figure 4.1.

Figure 4.1: Time of inception of firms (Source: Survey data 2010)



From Figure 4.1, most of the firms were started between the year 1950 and 2000. A total of four (44.44%) firms were started between the year 1950 and the year 2000; three (33.33%) firms were started before the year 1950 and only two (22.22%) firms were started after the year 2000. From these results, most firms had been in existence for many years and had therefore observed many challenges over time as well as formulating strategies to cope with the macro environmental changes.

4.3 The Macro Environmental Challenges

The study investigated the challenges facing the alcoholic drinks manufacturing firms in Kenya as a result of changes in macro environment. The challenges were captured in different categories namely political factors, economic factors, socio-cultural factors, technological factors, ecological factors and legal factors. For each of these factors, the researcher presented the respondents with a set of questions through five point likert scales. The questions were responded to by choosing very great extent, great extent,

moderate extent, little extent or not at all. Very great extent was given a score of 5, great extent was given a score of 4, moderate extent was given a score of 3, little extent was given a score of 2 and not at all was given a score of 1. For the response for each of the questions the scores were summed up and divided by the total number of respondents to give the mean score for the questions. A mean score greater than 3.5 meant that the factor posed challenge to the organization; a mean score between 3.5 and 2.5 meant that the factor posed challenge to a moderate extent to the organization; while a mean score less than 2.5 meant that the factor posed little challenge to the organization. The standard deviation of the scores was computed to obtain the standard error of the factor.

4.3.1 Political-Legal Factors

Political-Legal factors define the legal and regulatory parameters within which firms must operate. Knowledge of government regulations can help a firm avoid unnecessary confrontation with the government and the law.

The political-legal factors that were investigated included fair trade, antitrust laws, tax laws, political upheavals, minimum wage legislation, pollution & pricing policies, consumer protection, discrimination law, employment law. Table 4.1 presents the political factors posing challenge to the alcoholic drinks manufacturing firms in Kenya.

In the case of the discrimination law, a total of two (22.22%) respondents said that they posed a challenge to their firms to a very great extent, a total of one (11.11%) respondents said that they posed a challenge to their firms to a great extent, one (11.11%) respondents said that they posed a challenge to a moderate extent, two (22.22%) respondent said that they posed challenge to a little extent and lastly three (33.33%) respondent said that they did not pose any challenge to their firms.

On the aspect of the employment law, a total of one (11.11%) respondents said that they posed a challenge to their firms to a very great extent, a total of one (11.11%) respondents said that they posed a challenge to their firms to a great extent, two (22.22%) respondents said that they posed a challenge to a moderate extent, one (11.11%) respondent said that they posed challenge to a little extent and lastly four (44.44%) respondent said that they did not pose any challenge to their firms.

Discrimination laws had a mean score of 2.667 (moderate extent). This means that on average discrimination laws on average posed challenge to a moderate extent. Employment law on the other hand posed challenge to a moderate extent. This is because it had a mean score of 2.333, which when rounded off equals to 2 (little extent).

Table 4.1 : Political Legal Factors

Political Factors	V.G.E		G.E		M.E		L.E		Not at all		Mean	S.E
	no.	%	no.	%	no.	%	no.	%	no.	%		
Political Upheavals	3	33.3	3	33.3	2	22.2	1	11.1	0	0	3.89	1.25
Consumer Protection	3	33.3	3	33.3	2	22.2	1	11.1	0	0	3.89	1.63
Tax Laws	3	33.3	2	22.2	1	11.1	2	22.2	1	11.1	3.44	1.07
Minimum Wage Legislation	2	22.2	3	33.3	2	22.2	2	22.2	1	11.1	3.3	1.7
Fair Trade	2	22.2	2	22.2	1	11.1	3	33.3	1	11.1	3.11	1.7
Anti-trust laws	2	22.2	2	22.2	1	11.1	2	22.2	2	22.2	3	1.79
Pollution& pricing policies	1	11.1	1	11.1	1	11.1	2	22.2	4	44.4	2.22	1.85
Discrimination law	2	22.2	1	11.1	1	11.1	2	22.2	3	33.3	2.67	1.26
Employment law	1	11.1	1	11.1	2	22.2	1	11.1	4	44.4	2.33	1.75

Key:

V.G.E- very great extent

G.E- great extent

M.E-moderate extent

L.E –little extent

S.E – standard error

From the results in Table 4.1, three (33.33%) respondents said that political upheavals posed challenge to the alcohol manufacturing companies to a very great extent, three (33.33%) to a great extent, two (22.22%) to a moderate extent and one (11.11%) respondent said that political upheavals posed little challenge.

A total of two (22.22%) respondents said that Minimum Wage legislation posed a challenge to their firms to a very great extent, three (33.33%) respondents said that they posed a challenge to a great extent, two (22.22%) reported challenge to a moderate extent, two (22.22%) respondents said that they posed challenge to a little extent and one (11.11%) respondent said that minimum wage legislation posed challenge to a little extent.

A total of two (22.22%) respondents said that fair trade laws posed challenge to a very great extent, two (22.22%) respondents reported great extent, one (11.11%) respondent moderate extent, three (33.33%) reported a little extent and lastly one (11.11%) respondent said that fair trade posed no challenge to them.

Tax laws posed challenge to a very great extent according to three (33.33%) respondents, two (22.22%) respondents reported a great extent, one (11.11%) respondent moderate extent, two (22.22%) respondents a little extent and lastly one (11.11%) respondents said that anti tax law did not pose any challenge to their firms.

Consumer protection laws posed a challenge to a very great extent according to three (33.33%) respondents. A total of three (33.33%) respondents said that Consumer protection laws posed a challenge to their firms to a great extent, two (22.22%) respondents reported moderate extent and one (11.11%) respondents reported a little extent.

Pollution and Pricing policies posed challenge to a very great extent according one (11.11%) respondents, one (11.11%) respondents said that Pollution and Pricing policies posed challenge to a great extent, one (11.11%) respondents said that Pollution and Pricing policies posed challenge to a moderate extent, two (22.22%) respondent said that pollution and pricing policy posed challenge to a little extent and four (44.44%) respondents said that Pollution and Pricing policies didn't pose any challenge to the firms.

From Table 4.1, the political factors that had mean scores above 3.5 were political Upheavals, tax laws and consumer protection. Political upheavals had a mean score of

3.889; consumer protection had a mean score of 3.889. These factors posed challenge to the alcoholic drinks manufacturing firms to a moderate extent. The other factors posed challenge to the alcoholic drinks manufacturing firms to a moderate extent as they had mean scores between 2.5 and 3.5. Tax laws had a mean score of 3.444 and minimum wage legislation had a mean score of 3.3. The other factors included fair trade, antitrust laws, minimum wage legislation and pollution and pricing policies. Antitrust laws had a mean score of 3, minimum wage legislation had a mean score of 3.364, consumer protection had a mean score of 3.237 and pollution and pricing policies had a mean score of 2.222.

4.3.2 Economic Factors

Economic factors refer to the nature and direction of the economy in which the firm operates. The study investigated the economic factors posing challenge to the alcoholic drinks manufacturing firms in Kenya and established that they were inflationary trends, consumption patterns, interest rates, income levels and availability of credit. Table 4.2 shows the economic factors posing challenge to the alcoholic drinks manufacturing firms in Kenya.

Table 4.2 : Economic Factors

Economic Factors	V.G.E		G.E		M.E		L.E		Not at all		Mean	S.E
	no.	%	no.	%	no.	%	no.	%	no.	%		
Inflationary trends	5	55.6	3	33.3	1	11.1	0	0	0	0	4.44	1.43
Consumption patterns	4	44.4	2	22.2	3	33.3	0	0	0	0	4.11	1.07
Interest rates	2	22.2	5	55.6	2	22.2	0	0	0	0	4	1.25
Income Levels	3	33.3	3	33.3	2	22.2	1	11.1	0	0	3.89	1.73
Availability of credit	3	33.3	3	33.3	2	22.2	1	11.1	0	0	3.89	1.89

Key:

V.G.E- very great extent

G.E- great extent

M.E-moderate extent

L.E –little extent

S.E – standard error

From Table 4.2, a total of five (55.56%) respondents said inflationary trends posed a challenge to the firms to a very great extent, three (33.33%) respondents said that inflationary trends posed a challenge to the firms to a great extent and one (11.11%) respondent said that inflationary trends posed challenge to a moderate extent.

A total of four (44.44%) respondents reported that consumer patterns posed challenge to a very great extent, two (22.22%) respondents reported that consumer patterns posed challenge to a great extent and three (33.33%) respondents reported that consumer patterns posed challenge to a moderate extent.

It was reported by two (22.22%) respondents that consumer patterns posed challenge to a very great extent, five (55.56%) respondents said that consumer patterns posed challenge

to a great extent and lastly two (22.22%) respondents said that consumer patterns posed challenge to a little extent.

Income levels posed a challenge to a very great extent according to the views of three (33.33%) respondents, three (33.33%) respondents said that income levels posed a challenge to a great extent, two (22.22%) respondents reported that income levels posed challenge to a moderate extent and lastly one (11.11%) respondent said that income levels posed a challenge to a little extent.

Availability of credit posed a challenge to a very great extent according to three (33.33%) respondents, three (33.33%) respondents reported a great extent, two (22.22%) respondents a moderate extent and lastly one (11.11%) respondent said that availability of credit was a challenge to a little extent.

From Table 4.2, all the economic factors had mean scores greater than 3.5 meaning that they all posed challenge to the alcoholic drinks manufacturing firms in Kenya. The economic factor that posed the most challenge to the firms was inflationary trends which had a mean score of 4.444. The second highest challenge came from consumption patterns with a mean score of 4.111. Interest rates had a mean score of 4, income levels 3.889 and availability of credit had a mean score of 3.889.

4.3.3 Socio-Cultural Factors

Socio-cultural factors refer to the beliefs, values, attitudes, lifestyles and opinions of the people in the firms' external environment. The study investigated the socio – cultural factors posing challenge to the alcoholic drinks manufacturing firms in Kenya. The

factors that were investigated were beliefs, attitudes, values and lifestyle. Table 4.3 presents the results.

Table 4.3: Socio Cultural Factors

Socio cultural Factors	V.G.E		G.E		M.E		L.E		Not at all		Mean	S.E
	no.	%	no.	%	no.	%	no.	%	no.	%		
Beliefs	3	33.3	2	22.2	2	22.2	2	22.2	0	0	3.67	1.66
Values	2	22.2	3	33.3	3	33.3	1	11.1	0	0	3.67	1.29
Attitudes	3	33.3	2	22.2	1	11.1	3	33.3	0	0	3.56	1.23
Lifestyle	2	22.2	3	33.3	1	11.1	1	11.1	2	22.2	3.22	1.1

Key:

- V.G.E- very great extent
- G.E- great extent
- M.E-moderate extent
- L.E –little extent
- S.E – standard error

From the findings in Table 4.3, three (33.33%) respondents reported that people’s beliefs posed challenge to a very great extent, two (22.22%) respondents said beliefs posed challenge to a great extent, two (22.22%) respondents moderate extent and lastly two (22.22%) respondents said that beliefs posed challenge to the firms to a little extent.

A total of two (22.22%) respondents reported that peoples values posed challenge to a very great extent, three (33.33%) respondents said that peoples values posed challenge to a great extent, three (33.33%) respondents said that peoples values posed challenge to a moderate extent and lastly one (11.11%) respondents said that peoples values posed challenge to the firms to a little extent.

A total of three (33.33%) respondents reported that people's attitudes was a challenge to a very great extent, two (22.22%) respondents great extent, one (11.11%) respondents moderate extent and lastly three (33.33%) respondents said that people's attitudes posed challenge to a little extent.

A total of two (22.22%) respondents reported that people's lifestyle posed challenge to a very great extent, three (33.33%) respondents to a great extent, one (11.11%) respondents to a moderate extent and lastly one (11.11%) respondents to a little extent.

From the results in Table 4.3, all the factors had mean scores that were greater than 3.5. This meant that all this factors posed challenge to the alcoholic drinks manufacturing firms in Kenya. The factor that had the highest the highest mean score, meaning that it was the factor that posed the highest challenge to the alcoholic drinks manufacturing firms, was people's belie which had a mean score of 3.668. Values also posed a challenge to the alcoholic drinks manufacturing firms as it had a mean score of 3.667. People's attitudes had a mean score of 3.556 and therefore posed challenge to the firms to a great extent. Lastly lifestyle also posed challenge to a great extent since it had a mean score of 3.222, meaning that it posed a challenge to the firms to a great extent.

4.3.4 Technological Factors

Technological factors refer to the technological changes that affect an industry and that firms must conform with in order to promote innovation and avoid obsolescence. They include innovation, information technology (mobile phones, internet etc), new products creation and effective manufacturing techniques. Table 4.4 presents the results.

Table 4.4 : Technological Factors

Technological Factors	V.G.E		G.E		M.E		L.E		Not at all		Mean	S.E
	no.	%	no.	%	no.	%	no.	%	no.	%		
Innovation	2	22.2	2	22.2	3	33.3	1	11.1	1	11.1	3.33	1.65
Information technology	1	11.1	3	33.3	2	22.2	1	11.1	2	22.2	3	1.63
New products	1	11.1	2	22.2	3	33.3	1	11.1	2	22.2	2.89	1.37
Effective manufacturing techniques	1	11.1	1	11.1	1	11.1	2	22.2	4	44.4	2.22	1.27

Key:

V.G.E- very great extent

G.E- great extent

M.E-moderate extent

L.E –little extent

S.E–standarderror

From the findings in Table 4.4, two (22.22%) respondents said that innovation posed a challenge to the alcohol manufacturing firms to a very great extent, two (22.22%) respondents reported a great extent, three (33.33%) respondents moderate extent, one (11.11%) respondents little extent and one (11.11%) respondents said that innovation did not pose any challenge to their firm.

Information technology posed challenge to a very great extent according to one (11.11%) respondents. A total of three (33.33%) respondents said that information technology posed challenge to the manufacturing firms to a great extent, two (22.22%) respondents reported a moderate extent, one (11.11%) a little extent and two (22.22%) respondents did not think that information technology posed a challenge to their firms.

New products creation posed challenge to a very great extent according to one (11.11%) respondents. A total of two (22.22%) respondents said a great extent, three (33.33%) respondents moderate extent, one (11.11%) respondents little extent while two (22.22%) respondents did not think that creation of new products posed any challenge to the firms.

Ineffective manufacturing techniques posed challenge to a very great extent according to one (11.11%) respondents. A total of one (11.11%) respondents reported a great extent, one (11.11%) respondents a moderate extent, two (22.22%) respondent said that ineffective manufacturing techniques posed a challenge to a little extent and four (44.44%) respondents did not think that ineffective manufacturing techniques posed any challenge to the firms.

From the results in Table 4.5, innovation had a mean score of 3.333. When rounded off it resulted to 3 meaning that on average innovation posed challenge to an average extent to the alcohol manufacturing firms. Information technology had a mean score of 3, which when rounded off equals to 3 (moderate extent). This meant that on average information posed challenge to a moderate extent to the alcohol manufacturing firms. Creation of new products had a mean score of 3.273, which when rounded off equals to 3 (moderate extent), meaning that on average it posed a challenge to a moderate extent to the alcohol manufacturing firms. Creation of new products had a mean score of 2.222, which when rounded off equals to 2 (moderate extent). This means that on average creation of new products posed challenge to the firms to a low extent. Effective manufacturing techniques had a mean score of 2.222, which when rounded off equals to 2 (little extent). From the mean score of effective manufacturing techniques it can be established that it posed challenge to a little extent.

4.3.5 Ecological Factors

Ecology refers to the relation between humans and other living things. The study also investigated the ecological factors that pose challenges to the alcohol manufacturing firms in Kenya such as environmental laws and environment conservation. Table 4.5 presents the results.

Table 4.5 : Ecological Factors

Ecological Factors	V.G.E		G.E		M.E		L.E		Not at all		Mean	S.E
	no.	%	no.	%	no.	%	no.	%	no.	%		
Environment												
Conversation	1	11.1	2	22.2	4	44.4	2	22.2	0	0	3.22	1.04
Environmental Laws	0	0	1	11.1	4	44.4	1	11.1	4	44.4	2.2	1.46

Key:

V.G.E- very great extent

G.E- great extent

M.E-moderate extent

L.E –little extent

S.E–standard error

As shown in Table 4.6, a total of one (11.11%) respondents said that environmental conservation posed a challenge to the firms to a very great extent, two (22.22%) respondents reported to a great extent, four (44.44%) respondents reported that it posed challenge to a moderate extent and two (22.22%) reported to a little extent.

In the study one (11.11%) respondents reported that environmental laws posed challenge to a great extent, four (44.44%) respondents reported that environmental laws posed challenge to the firms to a moderate extent, one (11.11%) respondent reported that environmental laws posed challenge to a little extent and four (44.44%) respondents said that environmental conservation did not pose any challenge to the firms.

From the results in Table 4.6, environmental conservation had a mean score of 3.222 which when rounded off equals to 3 (moderate extent). This means that on average environmental conservation posed challenge to a moderate extent to the alcohol manufacturing firms. Environmental laws had a mean score of 2.2 which when rounded off to the next integer is 2 (low extent). This means that on average, environmental conservation posed challenge to a moderate extent to the alcohol manufacturing firms.

4.4 The Response Strategies

The second objective investigated the strategies adopted by alcohol drinks manufacturing in coping with the macro environmental changes. The strategies that were studied include differentiation, strategic alliance, mergers, acquisitions, new product development, cost leadership, innovation, positioning, divestiture, diversification, new markets, new products, new services, unrelated diversification and turnaround strategy. Table 4.6 presents the extent to which these strategies were implemented in the firms.

Table 4.6 : Strategies involved in coping with the macro environmental changes

Strategies	V.G.E		G.E		M.E		L.E		Not at all		Mean	S.E
	no.	%	no.	%	no.	%	no.	%	no.	%		
New product development	4	44.4	2	22.2	2	22.2	1	11.1	0	0	4	1.89
New markets	3	33.3	2	22.2	2	22.2	2	22.2	1	11.1	3.4	1.4
Differentiation	4	44.4	1	11.1	2	22.2	2	22.2	0	0	3.78	1.54
Diversification	4	44.4	1	11.1	1	11.1	2	22.2	1	11.1	3.56	1.43
Innovation	3	33.3	2	22.2	2	22.2	1	11.1	1	11.1	3.56	1.88
New products	3	33.3	1	11.1	2	22.2	2	22.2	1	11.1	3.33	1.13
Strategic alliance	3	33.3	2	22.2	1	11.1	1	11.1	2	22.2	3.33	1.37
Unrelated												
Diversification	3	33.3	1	11.1	1	11.1	3	33.3	1	11.1	3.22	1.55
Divestiture	2	22.2	1	11.1	3	33.3	3	33.3	0	0	3.22	1.48
Turnaround strategy	3	33.3	1	11.1	1	11.1	2	22.2	2	22.2	3.22	1.38
Cost leadership	3	33.3	1	11.1	1	11.1	1	11.1	3	33.3	3.22	1
Positioning	2	22.2	1	11.1	3	33.3	1	11.1	2	22.2	3.22	1.84
New services	2	22.2	0	0	1	11.1	2	22.2	4	44.4	2.33	1.05
Mergers	0	0	1	11.1	2	22.2	3	33.3	3	33.3	2.11	1.14
Acquisitions	0	0	0	0	2	22.2	4	44.4	3	33.3	1.89	1.02

Key:

V.G.E- very great extent

G.E- great extent

M.E- moderate extent

L.E –little extent

S.E–standard error

From the results in Table 4.6, the strategies that were adopted in coping with changes that occur in the macro environment were differentiation, strategic alliance, mergers, acquisitions, new product development, cost leadership, positioning, divestiture, diversification, new markets, new products, new services, unrelated diversification and turnaround strategy.

From Table 4.6, each strategy had mean scores as follows; new product development had 4, differentiation 3.778, diversification 3.556, innovation 3.556, new markets 3.4,

new products 3.333, unrelated diversification 3.222, divestiture 3.222, turnaround strategy 3.111, cost leadership 3, positioning 3, new services 2.333, mergers 2.11 and acquisitions scored of 1.889. Mean scores between 3.5 and 2.5 meant that the strategies were implemented to a moderate extent to enable the firms to cope with the challenges in dealing with the changes in macroeconomic environment. It can therefore be established that the response strategies that to a great extent enabled the firms cope with the challenges in the macroeconomic environment were new product development, differentiation and innovation. While on the other hand the response strategies applied to a moderate extent were the creation of new products, strategic alliance, unrelated diversification, divestiture, turnaround strategy, cost leadership and positioning. It emerged from the findings that mergers, new services and acquisitions enabled the firms cope with macro – environmental challenges to a little extent. They had mean score of 2.182 and 2 respectively.

4.5 Discussion

The political factors that had mean scores above 3.5 were political Upheavals, tax laws and consumer protection. Political upheavals had a mean score of 3.889; consumer protection had a mean score of 3.889. These factors posed challenge to the alcoholic drinks manufacturing firms to a great extent. The other factors that posed challenge to the alcoholic drinks manufacturing firms to a moderate extent included: Tax laws (mean score of 3.444), minimum wage legislation (mean score of 3.3), fair trade, antitrust laws, minimum wage legislation and pollution & pricing policies. Antitrust laws had a mean score of 3, minimum wage legislation had a mean score of 3.364, and consumer protection had a mean score of 3.237.

The economic factor that posed the most challenge to the firms was inflationary trends it had a mean score of 4.444. The other economic factor that posed the second highest challenge to the alcoholic drinks manufacturing firms in Kenya was consumption patterns with a mean score of 4.111. Interest rates had a mean score of 4, income levels had a mean score of 3.889 and availability of credit had a mean score of 3.889.

The socio – cultural factor that had the highest mean score, meaning that it was the factor that posed the highest challenge to the alcoholic drinks manufacturing firms, was belief. It had a mean score of 3.909. Values also posed a challenge to the firms; it had a mean score of 3.909. Attitude had a mean score of 3.818 and therefore posed challenge to the firms. Lastly lifestyle posed challenge to a great extent as it had a mean score of 3.545.

The technological factor that had the most influence was innovation. It had a mean score of 3.333. When rounded off it resulted to 3 meaning that on average innovation posed challenge to a moderate extent to the alcohol manufacturing firms. Information Technology had a mean score of 3. This meant that on average information posed challenge to a moderate extent to the alcohol manufacturing firms. Creation of new products had a mean score of 2.889, which when rounded off equals to 3 (moderate extent); meaning that on average it posed a challenge to a moderate extent to the alcohol manufacturing firms. Effective Manufacturing Techniques had a mean score of 2.222, which when rounded off equals to 2 (low extent). From the mean score of Effective Manufacturing Techniques it can be established that it posed challenge to a low extent.

Environmental conservation had a mean score of 3.455 which when rounded off equals to 3 (moderate extent). This means that on average environmental conservation posed

challenge to a moderate extent to the alcohol manufacturing firms. Environmental conservation had a mean score of 2.583 which when rounded off to the next integer is 3 (moderate extent). This means that on average, environmental conservation posed challenge to a moderate extent to the alcohol manufacturing firms.

The legal factor that posed the most challenge to the alcoholic manufacturing companies was discrimination law. It had a mean score of 3.727 which when rounded off to the next integer equals to 4 (great extent). This means that on average discrimination law posed challenge to a great extent to the alcohol manufacturing firms. Antitrust law had a mean score of 3.727 which when rounded off to the next integer resulted to 4 (great extent). From these results antitrust law posed challenge to a great extent to the alcohol manufacturing firms. Discrimination laws had a mean score of 3 (moderate extent). This means that on average discrimination laws on average posed challenge to a moderate extent. Employment law on the other hand posed challenge to a moderate extent. This is because it had a mean score of 2.727, which when rounded off equals to 3 (moderate extent).

The environmental factors that posed challenge to the firms were environmental conservation, it had a mean score of 3.222 which when rounded off equals to 3 (moderate extent). This means that on average environmental conservation posed challenge to a moderate extent to the alcohol manufacturing firms. Environmental laws had a mean score of 2.2 which when rounded off to the next integer is 2 (little extent).

From the above findings, it is clearly evident that changes in the environment have elicited various responses from the alcoholic drinks manufacturing firms operating in

Kenya. The changes have been experienced in all the spheres of the macro environment that include political, economic, socio-cultural, technological ecological and legal factors. The various response strategies have been adopted by the firms in varying degrees, the findings of this study therefore supports the notion that organizations must respond to the changing environmental conditions by equipping themselves with the appropriate competencies (Ahmad *et al*, 2010)

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, draws conclusion and presents recommendations on the findings of the study. In discussing the results of this study, the objectives of the research were taken into account. The chapter concludes by making suggestions on the strategies that firms can adopt in response to the macro environmental changes and areas of further research.

5.2 Summary

The study had two objectives namely to establish the challenges facing the alcoholic drinks manufacturing firms in Kenya as a result of changes in the macro environment and to determine the response strategies adopted by alcoholic drinks manufacturing companies in Kenya in order to cope with the macro environmental changes. In investigating the first objective the study found that the challenges facing the firms could be categorized into political factors, economic factors, socio-cultural factors, technological factors, ecological factors and legal factors.

Upon investigating the second objective the study found that the firms adopted various strategies in their quest to respond to the macro environmental challenges. Among the most adopted strategies are; differentiation, new product development, diversification, innovation, new markets and strategic alliance.

To achieve the above mentioned objectives, a census survey was conducted on all the alcoholic drinks manufacturing firms in Kenya whereby respondents were contacted from either the marketing manager or the corporate strategy manager of each firm. These are the

mangers involved in developing and making policy decisions on the response strategies in their respective firms. The population of interest was all the alcoholic drinks manufacturing firms in Kenya. Due to the nature of the study, both qualitative and quantitative approach was adopted whereby semi-structured questionnaires were developed and administered to the targeted respondents. There were a total of 11 targeted respondents out of which 9 completed and returned the questionnaires.

5.3 Conclusion

The study concludes that the alcoholic drinks manufacturing firms in Kenya employ a combination of strategies to cope with the various macro-environmental challenges. There was no single strategy that was used independently in the alcoholic drinks industry to achieve the desired goals. A combination of various strategies was applied to suit the uniqueness of each organization in order to tackle the various challenges in the macro environment. The strategies adopted include differentiation, strategic alliances, new product development, cost leadership, positioning, divestiture, diversification, new markets, new products, new services, unrelated diversification and turnaround strategy.

The study further concludes that organizations are faced with a myriad of challenges emanating for the macro environment that were categorized under political, economic, legal, social ecological and technological factors. Each of these challenges are unpredictable and can occur concurrently in the macro environment and as such organizations must at all time be on the lookout for them.

5.4 Recommendation for Policy and Practice

The study recommends that the alcoholic drinks manufacturing firms in Kenya need to always be on the lookout for any changes occurring in the macro environment so as to be prepared to counter them timeously by using the appropriate response strategies in order to be successful. Since the study established that unrelated diversification, divestiture, turnaround strategy, strategic alliance, cost leadership, positioning, acquisitions and new services were strategies that were adopted to a moderate extent by the alcohol producing firms. The researcher recommends that the firms consider adopting these strategies to a great extent for them to be able to cope with the changes occurring in the macro environment more effectively.

5.5 Limitations of the Study

The study was limited to merely establishing the macro environmental challenges facing the alcoholic drinks manufacturing companies in Kenya and determining the response strategies adopted thereto. The study did not explore or relate the adopted response strategy to their success or failure in the respective firms

The researcher was unable to get all the eleven intended respondents to answer the questionnaires. In two organizations the management was hostile and flatly refused to give access to the researcher to hand in the questionnaires while in some organizations there was lack of commitment by the respondents in answering questions due to their busy work schedules.

The other limitation that affected the study was that it was conducted over a very short period of time. This denied the respondents enough time to respond to the study questions

adequately as some of the questions needed to be researched on by the respondents before they could respond.

Lastly the challenge of limited funds affected the outcome of the study. The study covered various companies that were scattered in different regions of the country and this meant that the researcher had to engage the services of research assistant and had to incur a lot of expenses for travelling accommodation e.t.c. Limited funds made the researcher to opt for few research assistants who had to be motivated to increase their output so as to cover for the little funding.

5.6 Suggestions for Further Study

This study suggests that future researchers should carry out a correlation study that seeks to relate the response strategies to the challenges facing the alcoholic drinks manufacturing firms. This is because this study only went as far as identifying the response strategies and not relating them to the macro environmental challenges so as to know the influence and effect of the response strategies on the challenges.

The study further suggests that each organization be studied in depth and independently by way of a case study. This would ensure a higher response rate and to counter the challenges of limited funds, limited time, lack of response.

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Political Upheavals/ stability	[]	[]	[]	[]	[]
Minimum Wage legislation	[]	[]	[]	[]	[]
Pollution & Pricing policies	[]	[]	[]	[]	[]
Consumer Protection	[]	[]	[]	[]	[]
Economic factors					
Consumption Patterns	[]	[]	[]	[]	[]
Income levels	[]	[]	[]	[]	[]
Availability of credit	[]	[]	[]	[]	[]
Interest Rates	[]	[]	[]	[]	[]
Inflationary trends	[]	[]	[]	[]	[]
Socio-cultural factors					
Beliefs	[]	[]	[]	[]	[]
Values	[]	[]	[]	[]	[]
Attitudes	[]	[]	[]	[]	[]
Lifestyle	[]	[]	[]	[]	[]
Technological factors					
Innovation	[]	[]	[]	[]	[]
Information Technology (mobile phones etc)	[]	[]	[]	[]	[]
Creation of New products	[]	[]	[]	[]	[]
Effective Manufacturing Techniques	[]	[]	[]	[]	[]

Ecological factors

Environmental laws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environment conservation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Legal factors

Discrimination law	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumer law	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employment law	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Antitrust law	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health & Safety law	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part III: Response Strategies

Organizations respond to the various changes in the macro environment by formulating and implementing suitable response strategies.

In your view, how do you rate the extent to which your organization has adopted or relied on the following response strategies to counter macro environmental changes?

Use a 5-point scale where: 1= not at all, 2= little extent, 3= moderate extent, 4= great extent, 5= very great extent. Tick accordingly

	1	2	3	4	5
Differentiation (Unique product or service)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strategic alliance (Joint project with other companies)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mergers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Acquisitions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New product development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Cost leadership (lowest cost production)	[]	[]	[]	[]	[]
Innovation (New products/service/ brand)	[]	[]	[]	[]	[]
Positioning (Market segmentation)	[]	[]	[]	[]	[]
Divestiture (Selling off)	[]	[]	[]	[]	[]
Diversification	[]	[]	[]	[]	[]
New markets	[]	[]	[]	[]	[]
New products	[]	[]	[]	[]	[]
New services	[]	[]	[]	[]	[]
Unrelated Diversification	[]	[]	[]	[]	[]
Turnaround strategy	[]	[]	[]	[]	[]

THANK YOU FOR YOUR COOPERATION

APPENDIX II: LETTER OF INTRODUCTION

Dear sir/madam

I am a student pursuing Master of Business Administration (MBA), strategic management, in the school of business, University of Nairobi. The title of my study is, Response strategies by alcoholic drinks manufacturing companies to the macro environmental changes. This project seeks to establish the capability of the alcoholic drinks manufacturers in responding to the changes in the macro environment. I therefore kindly request you to give me the most appropriate response to the questionnaire based on your experience and knowledge.

Your participation is crucial to this study as it will enhance our knowledge of strategic management practices in Kenya. I hereby assure you that all the information in respect to this research will be treated with utmost confidence and will only be used for academic purposes only and under no circumstances will your name or identity be mentioned in the report without your prior consent. A copy of the findings may be sent to you on request.

Thank you very much.

Okwany Wilfrida

Student

Dr. Vincent Machuki

Supervisor

APPENDIX IV: LIST OF ALCOHOLIC DRINKS MANUFACTURING FIRMS IN KENYA

NAME OF COMPANY	CONTACT	LOCATION	
Africa Spirits Limited ,	P.O Box 9832 Nairobi	Nairobi	2004
Agro Chemical & Food Company Ltd	P.O Box 18 Muhoroni	Nyanza	1978
East African Breweries Ltd	P.O Box 30161 Nairobi	Nairobi	1922
Hail & Cotton Distillers Ltd	P.O Box 2416 Nairobi	Nairobi	1998
Kenya Breweries Ltd	P.O Box 30161 Nairobi	Nairobi	1922
Kenya Wine Agencies Ltd	P.O Box 40550- 00200 Nairobi	Nairobi	2003
London Distillers Ltd	P. O Box 57387 Nairobi	Nairobi	2001
Keroche Industries Ltd	P.O Box 6 Naivasha	Naivasha	2001
Spectre International Ltd	P.O Box 2131 Kisumu	Nyanza	
UDV Kenya Ltd	P.O Box 18240 Nairobi	Nairobi	1995
Western Kenya Express Suppliers	P.O Box 1873 Kisumu	Nyanza	1945

Source: Kenya Association of Manufacturers Directory



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P.O. Box 30197
Nairobi, Kenya

Date: 2nd October 2011

TO WHOM IT MAY CONCERN

The bearer of this letter Okwany Wilfrida Adhiambo

REGISTRATION NO: D61/75706/2009

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, she is expected to carry out a study on Response Strategies to Macro – Environmental Changes by Alcoholic Drinks Manufacturing Companies in Kenya

She has identified your organization for that purpose. This is to kindly request your assistance to enable her complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

Sincerely,

MR. ALEX JALEHA
COORDINATOR, SOB, KISUMU CAMPUS

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