

**RESPONSE STRATEGIES ADOPTED BY AGROCHEMICAL  
COMPANIES TO THE CHALLENGES OF AGROCHEMICAL  
DISTRIBUTION IN KENYA**

**BY:**

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## DECLARATION

This research project is my original work and has not been submitted to any other University for examination purpose.

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Date.....

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**D61/66898/2010**

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

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## **DEDICATION**

To my family, friends and colleagues. It is through your support, prayers and selfless assistance that this was possible. I will forever remain indebted to you all.

## ABSTRACT

Organizational environments undergo catastrophic upheavals which lead to changes that are so sudden and extensive that they alter the trajectories of entire industries, this overwhelms the adaptive capacities of resilient organizations and seasoned managers. This study sought to establish the strategic responses to environmental changes by Agrochemical companies distributing products in Kenya. To do this, the study was anchored on organisation theories namely, open systems, contingency theory and resource dependency theory and was guided by two objectives: to determine the challenges faced by major agrochemical companies in distributing products in Kenya and; to establish the response strategies adopted by the companies to the above challenges. The study adopted a census survey design where a population of 54 companies registered with Agrochemical association of Kenya were targeted. Only 36 questionnaires were returned giving a response rate of 67.9 %. Primary data was collected using a structured questionnaire. The gathered data was analyzed using both quantitative and qualitative techniques by application of descriptive statistics. Where mean scores and frequencies were tabulated. The study found out that the main challenge facing agrochemical companies were stakeholders environmental pressure groups, regulatory changes and competition defined by the number of companies and products competing in the market which were high. The study further found out that other challenges were technological changes in the industry, counterfeit or illegal products being sold in country. As a response a to the above challenges the study found out that companies are launching green products , employing strategies like competitive advantage in term of operation in containing costs and innovations / and changing systems to align to market benchmarks . Those with global portfolio are taking advantage of globalization to leverage of their location and position in the industry. The study concludes that agrochemical companies should rethink their business strategy to align them to market realities driven by stakeholders and environmental pressure groups and that regulation are in place to protect the stakeholders but this should not be used as an entry barrier. Agrochemical companies should endeavour to lobby the Government in terms of regulatory framework and seek support in lobbying other stakeholders. Agrochemical companies and other stakeholders should take charge of the industry to weed out malpractices such counterfeit this call for concerted efforts for each agrochemical company to take responsibility of own product distribution. The above results agree with organisation theories used in the study. However , during the study some limitations were experienced like the use of closed questions limited respondents on information giving , the type of questions were strategic in nature and this could have affected sincerity of the respondents and finally the study was only limited to organisations who are member of agrochemical association of Kenya. Moreover, the study reveals suggestions for further studies to find out the response strategies adopted local companies vs foreign companies and how environmental issues affect cooperate strategy and environmental fit of the portfolio. Further work need to be done to evaluate the impact of environmental pressure groups and regulators on organisation strategy in agrochemical industry and compared to other industries.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Organizations exist as open systems and hence they are in continuous interaction with the environment in which they operate. The environment in which the organizations operate is never static. All organizations lend themselves to this environment which is highly dynamic, chaotic, and turbulent that it is not possible to predict what will happen and/or when it will happen. Consequently, the ever-changing environment continually presents opportunities and challenges. To ensure survival and success, firms need to develop capability to manage threats and exploit emerging opportunities promptly. This requires formulation of strategies that constantly match capabilities to environmental requirements. Success therefore calls for proactive approach to business (Pearce and Robinson, 2003).

The agrochemical industry is in a state of upheaval and rapid change. Low farm commodity prices and depressed farm income have impacted sales. Margins have eroded, putting pressure on financial results and the distribution channels. Restructuring in the agribusiness industry has created a more aggressive competitive environment. New technologies, including genetically modified crops and precision agriculture, are challenging traditional farming practices. Moreover, farmers and growers are increasingly influenced by other players in the food chain, from food and feed processors and food companies' right down to supermarkets and consumers. Chataway, (2001).

### **1.1.1 Concept of Strategy**

The concept of strategy and strategic management are important for the success of the organisation. These influence the responses made by such organisation in managing environment in which they operate. Quinn (1980) identifies strategy as a plan that puts together an organisation major goals, policies and action sequences. A well formulated strategy enables the organisation to marshal and allocate its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment and contingent actions by competitors.

Porter (1980) asserts that strategy is about competition and means by which an organisation tries to get competitive advantage. Strategy can be seen as the building of defences against competitive forces or as the finding of positions within an industry where competitive forces are weakest (Pearce & Robinson, 1997). Hill and Jones (2001) conclude that the strategies in an organisation have major impact in performance relative to its peers. Therefore, strategy requires careful development and should not be a product of wisdom of the organisation / company managers.

### **1.1.2 Strategic Responses**

Strategic responses are concerned with reacting to threats to the long term direction of an organization by changes in the operating environment. They are meant to cushion the firm against threats from the environment. Ansoff and McDonel (1990) asserts that strategic responses involves changes in the firms strategic behaviours to assure success in transforming future environment .Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of

plans designed to achieve a firm's objective. Floyd and Lane (2000) build on these same ideas to create a new definition of strategic adaptation that they call strategic renewal. Their definition of strategic renewal expands the concept of adaptation to changes in core competences and or the strategic positioning of the company. Key competences are socially complex combinations of assets, knowledge, and skills on which the company's ability to create differentiated products and services are based, and distinguish it from competitors (Barney, 1991, Leonard Barton, 1992; Prahalad and Hamel, 1990). Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining competitive advantage.

### **1.1.3 Distribution Strategy and Challenges**

A distribution strategy is intended to establish a dominant position in the geographic markets served by firms. Accelerating technological change, heightened marketplace demands, more aggressive global competition, and shifts in the workforce and population demographics are affecting markets and distribution, forcing companies to reconsider fundamental assumptions about how they reach their markets. The magnitude of change demands a strategic perspective that views channel decisions as choices from a continually changing array of alternatives for achieving market coverage and competitive advantage subject, to the constraints of cost, investment, and flexibility. (Corey, Cespedes 1989). The firm's overall strategic direction must guide changes in channels.

### **1.1.4 Agrochemical Industry in Kenya**

The agrochemical industry is a major global business which plays an important role in the agricultural economies of most countries. However, due to regulatory developments,

competition pressures from generic producers and introduction of genetically modified technology the total world sales have declined. Kenya agrochemical industry is valued at 80m USD at CIF value (Croplife Kenya 2010 ) Key players in the agrochemical industry are the big multinational R& D companies like Syngenta ,Bayer ,Dow Agrosience, Monsanto and Dupont who are present in Kenya and control 60 – 70 % of the total global market (Croplife 2009 ) . Patent protection of a number of active ingredients expired in major world markets and worst still in developing countries where patents did not exist , this encouraged smaller companies to begin own production and sales where patents were not infringed or where could be obtained from principles companies.

Agrochemicals Industry in Kenya is no different. It continues to face the challenges day by day. The opening of Asian markets and liberalization of the economy in the early 2000s allowed consumers to have access to a greater variety of affordable products. As a result, industry and dealers faced a reduction in profits, and both had to undergo restructuring processes. For agrochemical companies like Cheminova, the use of mechanisms such as global sourcing and supply chain management helped to achieve reductions in costs, but the distribution side still faced a challenge as they rely on a network of distributors to reach their markets. These companies not only provide product, but also make recommendations to their clients, the growers, on agrochemical use as the season progresses. For product-focused companies, establishing the most appropriate distribution strategies is a major key to success, defined as maximizing sales and profits.

## **1.2 Research Problem**

The ever-changing agrochemical industry environment continually presents opportunities and challenges. To ensure survival and success, companies need to develop capability to manage threats and exploit emerging opportunities promptly. This requires formulation of strategies that constantly match capabilities to environmental requirements. Has been playing a significant role in maintaining food security ever since the advent of modern agriculture.

Keeping in view the environmental concerns and expectations of customers and other stakeholders, the agrochemical companies have been found rethinking their strategies with respect to the products and environment and have been showing corporate, business and operational level responses to meet different stakeholders' expectation (Narula and Upadhyay 2010). Prahalad, (2004) challenges corporations and entrepreneurs to realize the enormous profit potential that lies in emerging markets. While there may be profit potential, the question remains as to how companies can successfully tap into it. Several studies oriented to strategic management and corporate environmental responses as a result of stakeholders' pressures are available (Aragon-Correa, 1998; Bowen, 2002; Klassen, 2001). Studies suggest that stakeholder pressures are critical drivers of corporate environmental response (Berry and Rondinelli, 1998; Hoffman and Ventresca, 2002) Marketing studies show that the research on green strategies is basically focused on only one stakeholder i.e. consumer (Greenley and Foxall, 1997; Fitchett, 2004), although other stakeholders such as non-governmental organizations (NGOs), Governments and the public also influence companies' strategies.

Studies have been conducted on the responses of organisations to turbulent environment (Nyaoke 2007 studies response strategies by commercial banks to loan defaulting and Mwikali 2012 conducted a study on response strategies adopted by Kenya pipeline to the challenges of Oil distribution in Kenya and found out that the challenges are both internal and external and Kenya pipeline developed response strategies to the challenges. Muttaka (2012) carried a research on competitive strategies used by Multinational firms in Kenya. The study findings, established that multinational firms in the agrochemical industry have been using differentiation strategy to gain competitive advantage and compete effectively in the Kenyan market. Karanja (2012) assessed the factors influencing market performance and hence market share of companies marketing agrochemicals in the floriculture industry in Kenya. Both studies did not capture the challenges agrochemical companies face in Kenya. Many agrochemical continue to struggle with some not even aware of the challenges as the agrochemical industry is closed and little information is available or published. This study has been motivated by the knowledge gap in the challenges of agrochemical industry and how the environment impacts the agrochemicals industry. In order to overcome the challenges and achieve better performance companies must decide on strategies. Hence, the study seeks to answer the following question:

How are Agrochemical Companies responding to the challenges of agrochemical distribution in Kenya ?

### **1.3 Research Objectives**

The objectives of this study will be:

- i. To determine the challenges faced by major agrochemical companies in distributing products in Kenya

- ii. To establish the response strategies adopted by the companies to the above challenges.

#### **1.4 Value of the Study**

The findings of the study will be of use to the agrochemical industry player, the study will help in understanding the challenges facing the industry. This will enable the local companies and Multinational Corporation to develop winning strategies in the turbulent environment by developing competence and capabilities derived from the suggested responses from the study. For the government, the research will be helpful in highlighting areas of policy gap that would require improvement within the industry, this would result into cost effective policy decisions regarding influence of government's regulations in the industry. This will spur enabling environment for business to grow.

As the study findings might not be exhaustive, for the future researchers and academicians, this will provide gaps and further suggestions for future studies and eventually contribute to knowledge creation and theory development. Academicians and practitioners will gain knowledge into adaptive strategies / response strategies to turbulent environment in agrochemical industry. The study will also be relevant for the incoming corporations both local and international (multination) as to the nature of environmental influence to agrochemical companies in Kenya and how companies adapt to or respond to the challenges.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents and discusses the literature relating to organisation theory by various researchers, scholars, analysts and authors. The chapter begins by introducing the theoretical foundation of the study. The section introduces the concept of strategy, organisation and environment. It then briefly explores how organizations respond to challenges.

### **2.2 Theoretical Foundation**

This study addresses the response strategies adopted by major agrochemical companies in Kenya. The study is anchored on environment based theories for explaining the Open systems theory, Contingency theory and Resource dependency theory. There are also other theories like competitive advantage and resource based view that are reviewed in this study.

#### **2.2.1 Open Systems Theory**

Open systems theory refers simply to the concept that organizations are strongly influenced by their environment (Galbraith & Lawler, 1993). The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival.

According to Scott (2002), organizations and communities conduct their business they influence and change their external environments, while at the same time being influenced by external changes in local and global environments. This two-way

influential change is known as active adaptive change. Organizations and communities are open systems; changing and influencing each other over time.

People too are open systems. Through their actions they influence and change their external environment, and at the same time are constantly being influenced by changes in the external environment. From an employee's perspective, the organization itself is their immediate external environment. The prime driver of this change is the increasing rate of change in people's values and expectations in the external environment. People are constantly changing their minds about decisions they will make, including what products and services they will buy and how they'll buy them (Pfeffer & Salancik, 2003). The rate of socio-ecological change is being accelerated by globalisation, deregulation, and technological change. All these factors are combining to produce fierce competition for organizations and communities as well as causing unprecedented turbulence and uncertainty.

### **2.2.2 Contingency Theory**

Contingency theory is considered a dominant, theoretical, rational, open system model at the structural level of analysis in organization theory (Scott, 1992). The basic assertion of contingency theory is that the environment in which an organization operates determines the best way for it to organize. The position of the organizational theorist is that "the best way to organize depends on the nature of the environment to which the organization relates." (Scott, 1992: 89) Contingency theory has two basic underlying assumptions: First , There is no one best way to organize, Second , Any way of organizing is not

equally effective. (Galbraith, 1973). One of the first contributions of research using a contingency approach was establishing the distinction between 'mechanistic' and 'organic' forms of organization and management. (Burns & Stalker, 1961) The mechanistic form was associated with a stable environment and routine technology. The organic form was associated with an unstable or turbulent environment and changing technology. A subsequent study showed that different types of technology or technical systems make different demands on an organization.

Environment, technology, age and size emerged as the primary contingency factors. Researchers often defined additional contingency variables or divided the primary factors. Mintzberg (1979) identified 11 contingency variables, 4 dealing with the environment, stability, complexity, diversity and hostility. Researchers separated 'Strategic contingency theory' from 'structural contingency theory'. Strategic contingency theorists emphasize the importance of choice and add an intermediate, strategic process. They emphasize the roles of power, politics and individual goals and objectives. Power is both an outcome and determinant providing "participants further advantages in the political struggle because of their structural position" (Pfeffer, 1981: 226). Recent work is addressing multiple contingencies, seeking higher degree of explanation of relationships and attempting integration with other theories (Pennings, 1992). A contingency approach can and has been used to study many areas within organization management, as well as other sciences.

### **2.2.3 Resource Dependency Theory**

This theory is based upon a set of relationships formed between an organization and its technical environment (Orrù et al., 1991). These relationships are normally based on the process of exchanging resources. An organization behaves like its environment. In order to understand an organization's behavior, it is necessary to understand the environment in which the organization is inserted (Pfeffer & Salancik, 1978).

Resource Dependence theories assume that an organization's behavior is significantly influenced by external pressures (Greening & Gray, 1994). Moreover, an organization is likely to survive to the extent that it can cope with external demands and expectations (Mwankwo & Richardson, 1996). Pfeffer and Salancik (1978) argued that dependence is a measurement of how important resource suppliers are to an organization. This measurement might influence the position of the resource supplier in the organization's strategic plan. In Pfeffer and Salancik's view, any component of the external technical environment should be, to some extent, important for the organization's survival.

### **2.3 The Concept of Strategy**

Quinn (1980) identifies strategy as a plan that puts together an organisation major goals, policies and action sequences. A well formulated strategy enables the organisation to marshal and allocate its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment and contingent actions by competitors. The concept of strategy and strategic management are important for the success of the organisation. These influence the responses made by such organisation in managing environment in which they operate.

Porter (1980) asserts that strategy is about competition and means by which an organisation tries to get competitive advantage. Strategy can be seen as the building of defences against competitive forces or as the finding of positions within an industry where competitive forces are weakest (Pearce & Robinson, 1997). Hill and Jones (2001) conclude that the strategies in an organisation have major impact in performance relative to its peers. Therefore, strategy requires careful development and should not be a product of wisdom of the organisation / company managers.

#### **2.4 Organisations and the External Environment**

Businesses are affected by an external environment as much as they are affected by the competitors (Hufbauer, Harrel & Vukmanic, 1981). Global factors influencing Organisations are legal, political, social, technological, environment and economic. Understanding of these factors is important while developing a business strategy.

Political factors include Stability of government, Social policies, Trade regulations, Tax policies and Entry mode regulations that influence and limit organisations and individuals in a given society. These refer to government policy such as the degree of intervention in the economy. Political decisions can impact on many vital areas for business such as the education of the workforce, the health of the nation and the quality of the infrastructure of the economy such as the road and rail system. The dimensions being evaluated include the government attitude to foreign markets, the stability and financial policies of a country and government bureaucracy (Vignali, Vrontis, and Vranecevic, 2003). Political factors refer to the changes in government and government policies. Political factors

greatly influence the operation of business. This has gained significant importance off late (Hufbauer et al. 1981). The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. Business must consider the stability of the political environment, government's policy on the economy etc.

Economic factors involve changes in the global economy. A rise in living standards would ultimately imply an increase in demand for products thereby, providing greater opportunities for businesses to make profits (Hufbauer et al. 1981). An economy witnesses fluctuations in economic activities. This would imply that in case of a rise in economic activity the demand of the product will increase and hence the price will increase. In case of reduction in demand the prices will go down. Business strategies should be developed keeping in mind these fluctuations. Other economic changes that affect business include changes in the interest rate, wage rates, and the rate of inflation. In case of low interest rates and increase in demand businesses will be encouraged to expand and take risks. Therefore, business strategies should have room for such fluctuations.

Social factors are related to changes in social structures. These factors provide insights into behaviour, tastes, and lifestyles patterns of a population. Buying patterns are greatly influenced by the changes in the structure of the population, and in consumer lifestyles (Dent, 1999). Age, gender, etc all determine the buying patterns and understanding of such changes is critical for developing strategies which are in line with the market

situations. In a global environment it is important that business strategies are designed keeping in mind the social and cultural differences that vary from country to country. Consumer religion, language, lifestyle patterns are all important information for successful business management.

Technological factors greatly influence business strategies as they provide opportunities for businesses to adopt new innovations, and inventions. This helps the business to reduce costs and develop new products. With the advent of modern communication technologies, technological factors have gained great impetus in the business arena. . Huge volumes of information can be securely shared by means of databases thereby enabling vast cost reductions, and improvements in service. Organisations need to consider the latest relevant technological advancements for their business and to stay competitive (Stopford, & Strange, 1991). Technology helps business to gain competitive advantage, and is a major driver of globalization. While designing the business strategies firms must consider if use of technology will allow the firm to manufacture products and services at a lower cost. Firms can select new modes of distributions with the help of technology. It has become easier for companies to communicate with their customer in any part of the world.

Legal factors are those factors that influence business strategies that are related to changes in government laws and regulations. For a successful business operation it is important that the businesses consider the legal issues involved in a particular situation and should have the capability to anticipate ways in which changes in laws will affect the

way they must behave. Laws keep changing over a period of time. From the point of view of business it is important that they are aware of these changes in the areas of consumer protection legislation, environmental legislation, health & safety and employment law. According to Daniels, Radebaugh and Sullivan (2007), Legal forces are highly important as they cover many aspects of company policy. Government policy affects industry as a whole through regulatory bodies such as the Department of the Environment and the Department of Trade and Industry. These bodies develop policies on the trading, restrictions and standards within their particular field. The policies created can affect businesses in various ways; in how their products are produced, promoted and sold. Monetary and fiscal policies utilized by governments influence business operations. Monetary policies affect the size of the money supply and interest rates.

Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, banking industry (Mintzberg, 2003). High population growth rate indicates an enormous increase in labour supply. Population with varied tastes, preferences, beliefs, temperaments etc. gives rise to differing demand pattern and calls for different marketing strategies. The projected size and distribution of the economic costs and benefits of environmental factors are of key interest to business leaders and policy makers. Many estimates of the aggregate net economic effects of climate change are now available (Weitzman, 2008). Changes in temperature can impact on many industries including farming, tourism and insurance. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for firms to consider. The growing desire



to protect the environment is having an impact on many industries such as the travel and transportation industries (for example, more taxes being placed on air travel and the success of hybrid cars) and the general move towards more environmentally friendly products and processes is affecting demand patterns and creating business opportunities.

## **2.5 Strategic Responses**

Strategic responses are concerned with reacting to threats to the long term direction of an organization by changes in the operating environment. Economic reforms in Kenya in the Mid 1990s forced firms in operating in the country to make adjustments in the marketing mix in order to adapt to changing environment in a bid to remain competitive in a liberalised markets. (Bett 1995). Motor vehicle firms adjusted their variables substantially to be able to remain competitive. Issues such as product development, differentiated products, segmentations and improved customer service, significant changes to the marketing mix variables of promotion, pricing changes was aimed at responding to competition and hence maintaining a competitive Kombo (1997). Examples of strategic responses include.

Businesses all over the world are responding towards the voice to save environment. Some are doing it proactively; others are forced to do it as a result of stakeholders' pressures(Bowen, 2000, 2002) The response has come in terms of launching green products, transforming processes and changing systems to satisfy the stakeholders influencing the firms' strategies. There are companies who have proactively adopted the green marketing strategies without waiting for pressures from stakeholders. Three main

strategies can help such organizations, namely, influencing government policy, taking advantage of globalization and developing risky investment in green technologies (Azzone and Bertele, 1994). Azzone defined the role of government and regulatory agencies as key triggers for a significant strategic change within firms and emphasized on trust between regulation and corporation for environmental protection. The growing importance of ecological variables influences businesses to modify their business strategies to reactive, anticipatory and innovation-based patterns of environmental behavior (Porter and Vander Linde, 1995a).

Environmental regulations have forced the companies to adopt a level of corporate responsibility and accountability, whereas others have formulated and implemented environmentally responsible strategies as a result of target market expectations (D'Souza et al., 2006; Bansal and Bogner, 2002; Bansal and Roth, 2000). Studies have also examined the impact of environmental regulations on firm's strategies. (Porter and Vander Linde, 1995b; Rugman and Verbeke, 1998; Bowen et al., 2001). Firms trying to adopt environmental practices over and above governmental compliances to the benefit of the consumer may give the firm a competitive advantage.

Hence, a shift from a reactive approach towards an anticipatory proactive one is needed to take advantage of environment based business opportunities in market. (Russo and Fouts, 1997; Azzone and Bertele, 1994). D'Souza et al. (2006) concluded that the consumer's perception towards green products had a number of implications for building

a strong competitive advantage for the product and for developing and projecting a positive and ethical corporate image to meet customers' expectations.

A green strategy at this level may concentrate the firm to develop and prioritize green product development projects. An environment-friendly product strategy can provide competitive leverage in terms of attracting new customers and tapping new markets. Also, it can please regulatory authorities and societal groups. Some of the organizations are enhancing their competitiveness through improvements in their environmental performance to comply with mounting environmental regulations. (Bacallan, 2000). Product strategies of a company become affected by stakeholders' pressures, consumers' concerns, societal pressures and competition. Enterprise level green strategies have potential to influence the product strategies.

To offer a sustainable competitive advantage, the product strategies must be based on resources that have the potential to be valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991). For example, globally patented technologies, superior marketing research, global product requirement knowledge, and innovative product concepts and designs are such resources. Moreover, skilful personnel and efficient product management processes contribute to the sustainability of the advantage. Innovative product development and superior global product management capabilities demand co-ordination of different resources on a worldwide basis. Research has found that especially bigger companies that have started to globalize are moving towards broader product assortments and more demanding product categories in response to the increasingly competitive environment and global opportunities (Gabrielsson et al., 2006).

Innovative sales and marketing personnel are a scarce resource that firms can recruit and train by themselves or then outsource. Nevertheless, the firm needs to verify that its sales channel is competitive and based on strong key capabilities such as customer generation promotion, stockholding, distribution control, and reselling or retailing capabilities. Furthermore, the size and other resources of the firm put limitations on the alternative competitive advantages and resulting channel strategies (Gabrielsson and Gabrielsson, 2003). The imitability of the resources and capabilities that the channel strategy is based on is naturally of high importance when the sustainability of the strategy is concerned.

However, research (Anderson and Coughlan, 1987) suggests that inappropriate channel selections are difficult to change, have a long-term impact on company performance, and may therefore also be difficult for the competitors to imitate. This is partly because distribution arrangements are part of the whole value chain and it is not enough to copy the distribution strategy. The competitive advantages that are sought also influence the channel design were the cost leadership strategy implies to have highly efficient operations, rigorous cost controls, and economies of scale based on high unit sales volumes. Firms differentiate by creating a distinct value or image for its products and service, which justifies charging higher prices. (Lassar and Kerr, 1996).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter is a blueprint of the methodology that was used by the researcher to find answers to the research question. In this chapter the research methodology is presented in the following order, research design, Population, sampling design, data collection and Analysis.

### **3.2 Research Design**

This study used a census survey design. The study sought to determine the response strategies adopted by agrochemical companies to the challenge of agrochemical distribution in Kenya. The choice of a census survey as a design was to provide an avenue of relating descriptions, explanations and predictions in a systematic manner.

It is also the best design that defines the domain of generalizability (Frankfort and Nachmias, 1996). Similar studies have been carried out using this design and the results were satisfactory. Nyaoke (2007) and Odemo (2003). Census surveys are the types of surveys involving the process of collecting information about each member of a given population. The census was preferred as the population was small and a low response rate was expected due to the nature of the questions asked though this was not the case at the end.

### **3.3 Target Population**

The population of study was all major agrochemical companies in Kenya registered with Pest control products board and are members of Agrochemical association of Kenya. As of March, 2013, there were 54 members.

### **3.4 Data Collection**

The study used both primary data, which was collected using a semi structured questionnaire with lykert scale system (Appendix 1). The researcher administered the research tools after discussions with respondents assisted in refining timings of distribution of questionnaires. The questionnaire was divided into three sections. Section A will take on the bio data. Section B: challenges of Agrochemical distribution and section C will address the response strategies adopted by the company in addressing the challenges. The questionnaires were administered through two means drop and pick and send via email through attachments.

Questionnaire is a research tool that gathers data over a large sample (Kombo et al. 2006).The target respondents were those heading business units or Strategy leads or managing directors. The questionnaire is the most appropriate tool as it allows the researcher to collect information from a large sample with diverse background; the findings remain confidential, save time and since they are presented in a paper format and there is no opportunity for bias.

### **3.5 Data Analysis**

This research used descriptive statistics and content analysis where applicable to analyse data. First level data quality checks were done at data collection level while secondary level quality checks were done at data entry level. The development of ranges, skip and fill rules accompanied by validation checks with all possible means of data cleaning to meet the assumptions of the analytical techniques were employed.

The analysis was done as per questionnaires that were used to collect data. The researcher used frequencies, percentages, and means score. Analysis of these facts were presented in tabular manner on tables, Means represented numerical average for a set of responses while the frequency represented level of consensus among the data. Means and standard deviations were also computed. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

In this chapter, data is presented using non-text approaches such as pie charts and graphs. The data was analyzed quantitatively using the Statistical Package for Social Sciences (SPSS). The analysis was done as per questionnaires that were used to collect data. Data was analysed to determine the challenges faced by major agrochemical companies in distributing products in Kenya. The research was conducted to target 53 respondents one from each agrochemical companies in Kenya.

However, only thirty six questionnaires were returned filled in making a response rate of 67.9%, which is an adequate response rate for statistical reporting. Mugenda and Mugenda (2003) stated that a response rate of 50% and above is a good response rate. The study used Lykert scale in collecting and analyzing the data whereby a scale of 5 points were used in computing the frequencies and percentages. Means and standard deviations were also computed. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

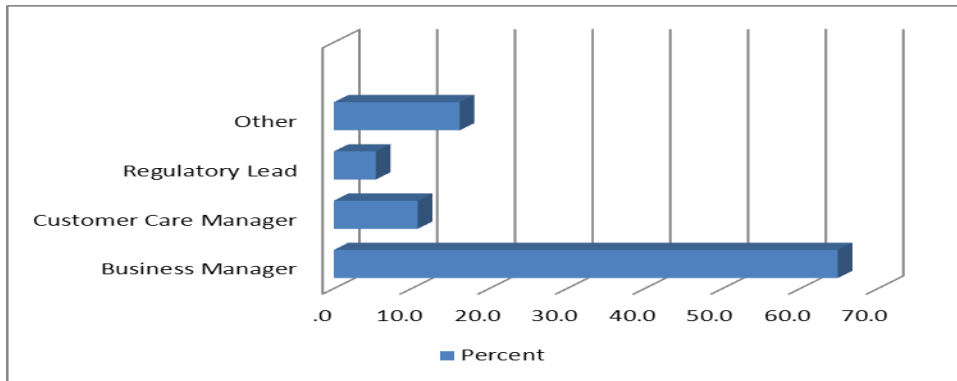
### **4.2 General Information**

#### **4.2.1 Function**

The respondents were asked to describe their function. The figure below shows the results.



**Figure 4.1: Function of Respondents**



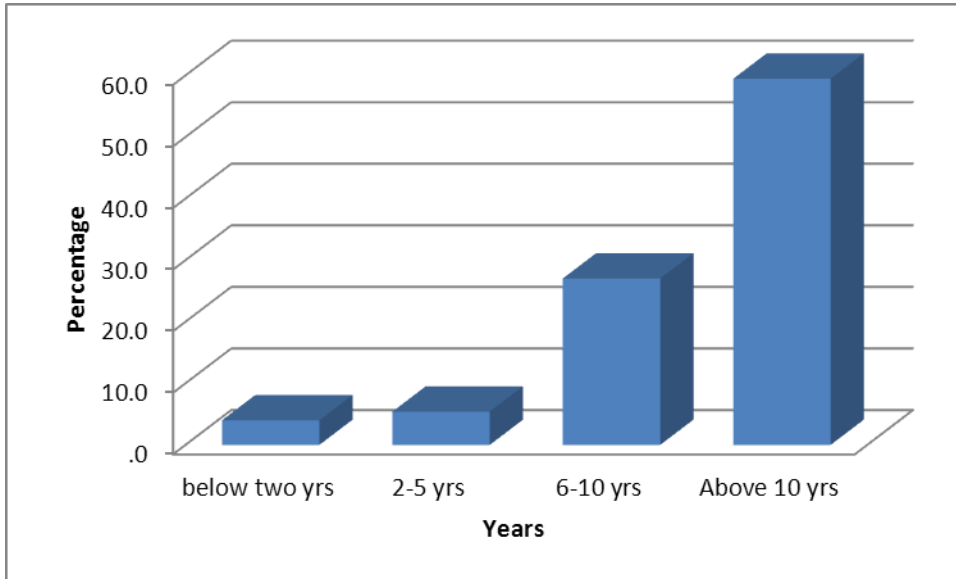
**Sources: Researcher, (2013)**

The results presented in Figure 4.1 show that a large proportion of 65% the respondents were business managers; this was followed by a figure of 15% respondents who held other positions in various departments, while customer care managers were represented by 8% of the respondents and Regulatory leaders were represented by 5%. The study shows that most of the respondents were business managers and therefore had rich experiences.

#### **4.2.2 Current Position of Respondents**

The respondents were asked to disclose their duration in their current positions. Figure 4.2 below shows the study finding.

**Figure 4.2: Current Position of Respodents**



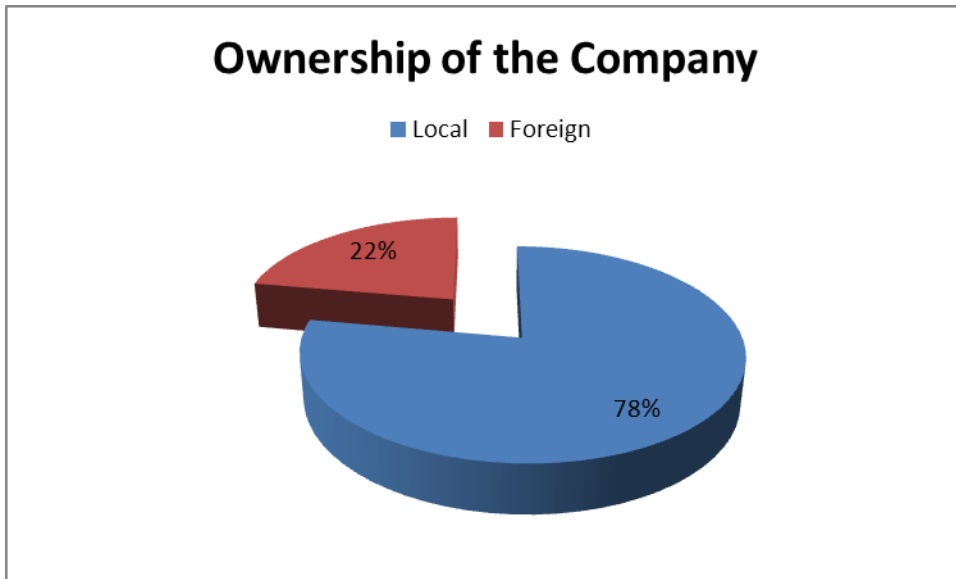
Sources: Researcher, (2013)

The results presented in figure 4.2 show that a large proportion of 58% the respondents had been in their current positions for more than ten years; this was followed by a significant figure of 25% respondents who had been in their current positions between 6 to 10 years, while those with 2 to 5 years were represented by 5% of the respondents and those below 2 years were represented by 2%. The duration shows that most of the respondents had been in their current position for more than 10 years and therefore had rich experiences.

#### **4.2.3 Ownership of the Company**

The respondents were asked to disclose ownership of the company. Yes and no questions were asked whether the company is local or foreign. Figure 4.3 below show the results. of the study.

**Figure 4.3: Ownership of the Company**



Sources: Researcher, (2013)

The study sought to establish the ownership of the company. Figure 4.3 indicates that, majority of the agrochemical companies surveyed were local (78%) while 22% of agrochemical were foreign.

### 4.3 Challenges facing Agrochemicals Companies

**Table 4.1: The results of descriptive statistical analysis for challenges facing Agrochemicals companies**

	<b>Response</b>	<b>Frequency</b>	<b>Percent</b>	<b>Mean</b>	<b>Std. Deviation</b>
The number of products/ brands sold in our market is very high.	Agree	10	27.8	4.7222	1.45426
	Strongly agree	26	72.2		
The number of different customer segments in our market is very high.	Not at all	2	5.6	3.8222	1.23314
	Disagree	7	19.4		
	Agree	17	47.2		
	Strongly agree	10	27.8		
	Not at all	2	5.6		
The number of companies competing in our market is very high.	Moderately agree	6	16.7	4.4167	0.76997
	Agree	9	25.0		
	Strongly agree	21	58.3		
Customer requirements vary very much across different customer segments	Moderately agree	18	50.0	3.7222	0.81455
	Agree	10	27.8		
	Strongly agree	8	22.2		
There is a lot of variety in products for sale.	Moderately agree	9	25.0	3.6056	0.52478
	Agree	25	69.4		
	Strongly agree	2	5.6		
There is a lot of variety in terms of customers involved in our market	Moderately agree	14	38.9	3.7611	0.79831
	Agree	13	36.1		
	Strongly agree	9	25.0		
Stakeholders and	Not at all	1	2.8	4.3111	0.85449

environmental pressure group	Moderately agree	5	13.9		
	Agree	18	50.0		
	Strongly agree	12	33.3		
Technological/innovation change	Not at all	12	33.3	3.0000	1.47654
	Disagree	3	33.3		
	Moderately agree	1	2.8		
	Agree	18	50.0		
	Strongly agree	2	5.6		
Regulatory developments/ changes	Moderately agree	4	11.1	4.1944	0.62425
	Agree	21	58.3		
	Strongly agree	11	30.6		
	Moderately agree	4	11.1		
Counterfeit, fake and illegal products	Not at all	1	2.8	4.2222	0.89145
	Disagree	3	8.3		
	Agree	17	47.2		
	Strongly agree	13	36.1		
Competition	Moderately agree	1	2.8	4.8056	0.62425
	Agree	8	22.2		
	Strongly agree	24	66.7		

Sources: Researcher, (2013)

The results of descriptive statistical analysis for the analysis for challenges facing Agrochemicals companies are presented in the table above. Respondents were asked to provide answers on each item that was measured by a five point Likert scale ranging from 1 (not at all) to 5 (strongly agree). From the table, 72.2 % are generally in agreement that the number of products sold in the market is very high while 47.2 %

agree that the e customer segments in the market is high as well . 58 % of the respondent's strongly agree that the number of companies competing in the market is high related to this variety of products offered for sale is high as 69.4 % of respondent's agree with the statement.

The findings in the table above reveal the following information that he stakeholders and environmental pressure groups in agrochemical industry pose a challenge to the industry (M 4.311) Technological and innovation change is another challenge identified with mean score of 3.000. Regulatory change had a mean of 4.1944 .On counterfeit products and illegal imports only 2.8 % disagreed. On competition 66.7% strongly agreed that it's a challenge.

**Table 4.2: The results of descriptive statistical analysis for the response strategies adopted by Agrochemical companies**

	Response	Frequency	Percentage	Std. Deviation	Mean
Pricing at or below competitive price levels.	not at all	1	2.8	1.18288	4.0278
	disagree	4	11.1		
	moderately agree	6	16.7		
	agree	7	19.4		
	Strongly agree	18	50.0		
Pursuing cost advantages in raw material purchases.	disagree	7	19.4	.87650	3.5556
	moderately agree	4	11.1		
	agree	23	63.9		
	Strongly agree	2	5.6		
Pursuing operating efficiencies.	disagree	4	11.1	1.08525	4.2778
	moderately agree	5	13.9		

	agree	4	11.1		
	Strongly agree	23	63.9		
Controlling overhead and variable costs tightly.	disagree	2	5.6	.80623	2.9167
	moderately agree	7	19.4		
	agree	19	52.8		
	Strongly agree	8	22.2		
Pursuing economies of scale.	not at all	1	2.8	.97101	4.1667
	moderately agree	8	22.2		
	agree	10	27.8		
	Strongly agree	17	47.2		
Minimizing costs related to channels of distribution.	not at all	7	19.4	1.28775	4.4444
	moderately agree	7	19.4		
	agree	17	47.2		
	Strongly agree	2	5.6		
Emphasizing low cost per unit.	not at all	6	16.7	1.53994	3.8333
	disagree	3	8.3		
	agree	9	25.0		
	Strongly agree	18	50.0		
Launching green products	Not all	3	8.3	3.8889	1.03586
	Moderately agree	3	8.3		
	Agree	22	61.1		
	Strongly agree	8	22.2		
Changing systems /transforming systems.	Not at all	1	2.8	4.0556	0.98400
	Disagree	1	2.8		
	Moderately agree	7	19.4		
	Agree	13	36.1		
	Strongly agree	14	38.9		
Lobbying influence government policy	Not at all	1	2.8	4.0833	0.99642
	Disagree	1	2.8		
	Moderately agree	7	19.4		
	Agree	12	33.3		
	Strongly agree	15	41.7		

Taking advantage of globalization	Not at all	3	8.3	3.8333	0.97101
	Moderately agree	2	5.6		
	Agree	26	72.2		
	Strongly agree	5	13.9		
Proactively adopting	Not at all	2	5.6	3.6111	1.04957
	Disagree	4	11.1		
	moderately agree	5	13.9		
	agree	20	55.6		
	Strongly agree	5	13.9		

Sources: Researcher, (2013)

The finding for the response strategies are shown by table 4.2 above. The findings shown that the majority of the respondents agreed, moderately agree or strongly agree to the statement describing the competitive strategies meaning that companies use competitive strategies in one way or the other. Most respondents strongly agreed (63.9 %) that they pursue operation efficiencies. Controlling overhead and variable costs tightly 52.8% agreed while 2.8 % disagreed. However, in minimising costs related to distribution (19.4 %) scored not all, meaning that they do not minimise costs related to distribution of products.

The findings in the table above, a larger percentage of respondents agree that they take advantage of globalisation as a response strategy (72.2 %). Launching green products is another strategy that some companies use to respond to changing environment ( 61.1%) . Proactively adopting environmental practices is another strategy (55.6%). Other responses include lobbying to influence government policy (41.73%). 38.9 %



strongly agree that transforming systems or changing system is a strategy that is employed in dynamic environment . Other strategies employed include segmentation, use of parallel brands and value pricing.

## **4.4 Discussion**

The discussion of the study is divided into the following two sections

### **4.4.1 Link to Theory**

The results findings supports open System theory the company must have an open and active adaptive relationship with its external environment. In other words, a healthy viable Open System has a direct correlation with respect to changing values and expectations over time with its external environment. The corollary therefore is that if the values and expectations of a certain organization or community are out of sync with those that exist in the external environment then that particular organization or community will eventually become unhealthy and unviable. From the study findings agrochemical companies are operating in complex environment that could be favourable or unfavourable this favourability determines the success or failure of the organisation.

Studies suggest that stakeholders pressures are critical drivers of corporate environmental response ( Berry and Rondinelli 1998) . Stakeholder influence the organisation and the markets . From the study findings , this is a key challenge to Agrochemical companies and is consistent with Resource Dependence theories which assume that an organization's behavior is significantly influenced by external pressures. Moreover, an organization is likely to survive to the extent that it can cope with external demands and

expectations. Hence good knowledge of this changes and implications will differentiate successful companies and failed ones. Therefore, as the pace of changes in external environment accelerates, organizations' survival increasingly depends on devising entrepreneurial responses to unforeseen discontinuities and the responses will depend on the resources within the environment . Such responses as found out from the research will include lobbying with stakeholders, launching green products and changing systems will depend on resources within the environment . This results support some previous theories on open systems theory (Ludwig, 1973) , Resource dependency theory and contingent theories as all the adaptive strategies are contingent the environment .

#### **4.4.2 Link to Other Studies**

The results show that Agrochemical companies like other Organizations do not exist in vacuum and they have the ability to act flexibly and adapt to the environment in which they operate in order to limit their resource dependency (Pfeffer and Salancik 1978). Studies by Chataway in 2001 found that restructuring in the agribusiness industry has created a more aggressive competitive environment and companies are increasingly influenced by other players in the food chain, from food and feed processors and food companies' right down to supermarkets and consumer .

Studies by Narula and Upadhyay 2010 shows that , in view of the environmental concerns and expectations of customers and other stakeholders, the agrochemical companies have been found rethinking their strategies with respect to the products and environment and have been showing corporate, business and operational level responses

to meet different stakeholders' expectation .Further studies suggest that stakeholders pressures are critical drivers of corporate environmental response ( Berry and Rondinelli 1998) . Stakeholder influence the organisation and the markets .The stakeholder include Nongovernmental organisation (NGO),Governments and publics . As the markets are fragmented with different customer segments being high and variation in need of customers, this can be used by companies to target either export market or local market as a result of target market expectations. Most companies are forced to adopt corporate social responsibility due to environmental regulations. Studies have also examined the impact of environmental regulations on the firms strategies (Bowen et al 2001).

Regulatory developments are key challenge to agrochemical industry . Azonne1994 defined the role of government and regulatory agencies as key triggers for a significant strategic change within firms and emphasized on trust between regulation and corporation for environmental protection. Agrochemical companies are enhancing their competitiveness through improvements in their environmental performance to comply with mounting environmental regulations this will have an effect on pleasing the regulators and allowing them to access certain markets where barriers to entry are environment based.

Competition in the agrochemical industry has increased in the recent past due the on-going global liberalization and regional integration reduced barriers to entry due to products going off patent with few coming due to increased cost of research and

development. Global competitive pressures continue to escalate due to increased cost competition from Asia and thus companies have adopted strategies for survival.

Some of the strategies adopted by the companies include, developing innovative products that create superior value to segments chosen by firms , developing innovative marketing techniques due to increased competition and number of products offered to the market, some with resources emphasizing advertising and promotion, gaining competitive advantage through superior service and cost advantages such as minimising costs related to distribution, pursuing operation efficiencies and cost advantages in raw material purchase. This is in line with resource based view of the firm as firms are going beyond the traditional analysis of internal and external environments to analyse the potential of its resources to generate sustainable competitive advantage.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations based on the findings.

### **5.2 Summary of Findings**

The objectives of the study were to establish the challenges faced by major agrochemical companies in distributing products in Kenya and secondly, to establish the response strategies that the companies adopt in mitigating the effect of the challenges. From the findings, agrochemical companies like any other organisation operate as an open system and therefore affected by the challenges emanating from the environment is complex and can be either favourable or unfavourable depending on the organisations and industry and the resilience of the organisation will depend on the response strategies adopted.

Key among the challenges affecting agrochemical industry is the growing importance of ecological variables influences businesses to modify their business strategies to reactive, anticipatory and innovation-based patterns of environmental behavior (Porter and Vander Linde, 1995a). Stakeholders and environmental pressure group have forced business globally to respond to save the environment, from the study this seems to be a challenge to agrochemical companies in Kenya

From the study findings agrochemical companies are operating in turbulent environment ranging from competition defined by the number of products and companies in the market are high and different market segments being this results in different market segment approaches . As a response companies have adopted competitive strategies such pricing at competitive prices, controlling overhead, pursuing cost control to remain competitive .

Surprisingly technological change was not seen as a great challenge to agrochemical companies perhaps because of the companies surveyed majority import products and can access technology for operation purposes. Regulatory developments are key challenge to agrochemical industry, and this has been accelerated by the environmental pressure groups and thus it is important that organisations in agrochemical companies re think and align their future portfolio strategies in line with the environmental trends. This will not only create a good image but will provide a position for competitive advantage.

The channel and distribution of products still remains the challenge to agrochemical companies, and is mainly explained by the setup of the distribution as majority of the respondents indicated that they have no much control of the distribution and distributors are selling competing brand, this could explain the proliferation of illegal / counterfeit products in the market and this can explain why the channel has not contributed much to firms performance over the past years.

### **5.3 Conclusion**

The study results presented reveal that business environment appears to be among the factors that affect companies. Changes in the external environment in which organizations operate can either bring forth opportunities and/or threats. The challenges facing organisation vary from industry to industry. In Agrochemicals it seems the Key challenge is Stakeholders and environmental pressure groups, competition and regulators. Hence it is imperative for the organisations to match the changes in the environment with respond strategies to remain relevant.

Hence good knowledge of this changes and implications will differentiate successful companies and failed ones. Therefore, as the pace of changes in external environment accelerates, organizations' survival increasingly depends on devising entrepreneurial responses to unforeseen discontinuities and the responses will depend on the resources within the environment .

### **5.4 Limitations of the Study**

The researcher used questionnaires with closed ended questions to collect data. These types of questions have the disadvantage of limiting the responses whereby the respondent is compelled to answer questions according to the researcher's choice. However to mitigate this limitation the researcher ensured that the questions were well thought out and comprehensive enough to cover all important aspects of the study objectives.

Information relating to strategic competition and strategic response is always treated with sensitivity. This may cause difficulties in convincing the respondents of the importance

of giving sincere answers to the asked questions evidenced through reluctance of accepting invitation to participate in the study to counter the challenge, the research had to inform the respondents in advance the purpose for the research study being carried out, that it was meant for academic purpose only and not for other investigations.

Sampling frame was limited to companies that are member of agrochemical association of Kenya. This means that there are many categories of organizations that were not covered by this study. Given that some of the targeted companies did not participate in the study, there is limitation on the extent to which these results could be generalized across all the agrochemical companies.

## **5.5 Recommendations**

The study recommends that companies should endeavour to analyse their product portfolio so as to maintain relevance and proactively follow developments in the environmental pressure groups so as to anticipate changes. Lobbying with environmental pressure groups can be fourth coming such that companies aim at being fare to the environment rather than just doing for it for environmental compliance.

The study also recommends that companies competing in agrochemicals should launch green product portfolio. Use current technologies to run away from environmental pressure groups Companies should endeavour to remain resilient through gaining competitive advantage through superior products, creating superior customer value through service quality; producing high-quality products; building up a premium product



or brand image and staff resources to comply with the reporting requirements and supervisory procedures to them from competition .

The study recommends the stakeholders should take a long-term view when structuring regulatory framework to provide the markets with a clear view of the thresholds so as to curb the challenges facing agro chemicals. Regulations and standards put in place by Governments have been said to be in place to protect the consumer, but may in certain circumstances be a disguise to reduce competition within a particular industry, and thus It is recommended that the firms in pesticide industry should focus more on product modifications keeping in view the present consumers'/market demands with core goal of their survival and growth

### **5.6 Suggestion for Further Studies**

The study recommends that studies should be done to study the response strategies of local companies vis a vis the foreign companies and see if there any changes with regard to environmental influence on local firms and foreign firms. The study also offers scope for research in the effect of the environment issues on firms cooperate strategy, and product portfolio analysis to evaluate environmental attractiveness of the portfolio. Further studies should be conducted.

As the work was mainly exploratory further work need to be done to evaluate the impact of environmental pressure groups and regulators on organisation strategy in agrochemical industry and compared to other industries. Further studies, also are needed to evaluate

how local companies respond to the challenges stakeholders and environmental pressure groups compared to multinational corporation from Asia and Europe.

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# APPENDICES

## APPENDIX 1: INTRODUCTION LETTER



### UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS MBA PROGRAMME

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DATE... 22.6.2013.

#### TO WHOM IT MAY CONCERN

The bearer of this letter ... KIMUNGUJI ERIC SITIANDA .....

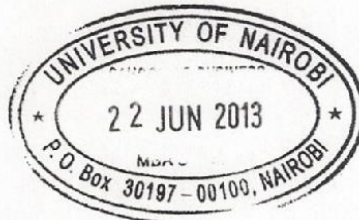
Registration No. .... D61/66898/2010 .....

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**  
**FOR: MBA CO-ORDINATOR**  
**SCHOOL OF BUSINESS**



## APPENDIX II: QUESTIONNAIRE

Tick where appropriate

### Section A

1. Which of the following best describes your function?  
a) Business Manager [ ] b) Customer Care Manager [ ] c) Area Manager [ ]  
d) Regulatory lead [ ] e) Other – specify [ ]
2. For how long have you been in current position?  
(a) Below 2 years [ ] (b) 2 – 5 years [ ] (c) 6 – 10 years [ ]  
(d) Above 10 years [ ]
3. Is your company local or foreign owned  
a) Local [ ] b) Foreign [ ]

### SECTION B – Strategy

1. To what extend are you responsible in the development of business strategy ., 4 = completely responsible 3 =mostly responsible, 2 =somewhat responsible , 1 = not at all responsible.

2. On a scale of 1-4 where would you rate your company in its efforts to outsmart the competitors., 4 = Best , 3 = better , 2 = Average, 1 = poor

Why

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In this section, please tick the appropriate section that best reflects the degree to which the following variables the business environment in which you operate . 5 strongly agree, 4 = agree, 3 = moderately agree, 2 = disagree, 1 = not at all.

### 3. Environmental Complexity

	5	4	3	2	1
1. The number of products/brands sold in our market is very high.					
2. The number of different customer segments in our market is very high.					
3. The number of companies competing in our market is very high.					
4. Customer requirements vary very much across different customer segments.					
5. There is a lot of variety in products for sale.					
6. There is a lot of variety in terms of customers involved in our market.					

### 4 .Challenges of Agrochemical companies

<b>Agrochemical distribution challenges</b>	5	4	3	2	1
1.Stakeholders and environmental pressure groups					
2. Technological / innovation change.					
3. Regulatory developments/ changes.					

4. Counterfeit ,fake and illegal products					
5. Competition					

Others not mentioned above .please specify.

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 .....

7. Please explain the challenges above

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<b>8. Environmental Munificence</b>	5	4	3	2	1
1. The demand for your product in your current market is strong and growing.					
2. There is a potential for high sales growth in your market.					
3. There is an abundance of resources (i.e. financial, supplies, human resources, etc) in your market to companies to support growth potential.					
4. There is no shortage of necessary resources in your market.					

<b>9. Channel Contribution to Firm Performance</b>	5	4	3	2	1
1. Over the past three years, your channel has been successful in generating high sales for your company.					
2. Over the past three years, your channel system has					

generated high sales revenues.					
3. Over the past three years, your channel system has enabled your company to achieve high level of market penetration.					
4. Over the past three years, your channel system has met the sales target you had set for it.					

<b>10. To what extent has your company been involved in the following activities?</b>	5	4	3	2	1
1. Participate in trade shows organized by the industry.					
2. Use booths to display our products					
3. Target booth new and existing customers.					
4. Take part in shows that take place once or twice per year.					
5. Take part in shows that lasts for few days.					

<b>11. Indicate the extent to which your firm uses the following.</b>	5	4	3	2	1
1. Lease trade mark to third parties.					
2. Use of parallel brands .					
3. Use of third parties in distribution.					
4. . Little control of distribution process.					

What other strategies does Cheminova use. Please explain

<b>12. To what extent do the following statements relate to your distribution operations?</b>	5	4	3	2	1
i. Concentrate on few selected outlet.					
ii. Have limited control of our product distribution					
iii. Want to cultivate a brand image for our products.					
iv. Need to have a wider market coverage.					

<b>13. The following statements are in relation to distribution of your products. Indicate the extent to which they relate to your distribution.</b>	5	4	3	2	1
i. Use of only one dealer to distribute our products.					
ii. The dealer does not sell competing products.					
iii. We have big control of dealer activities.					
iv. Our product has a high quality brand image.					
iv. Distributors have competing brands from other suppliers.					

<b>14. Indicate the extent to which your firm relates to the channel members based on the following statements?</b>	5	4	3	2	1
i. There is contractual agreement with channel members.					
ii. The company owns a channel member					
iii. Each channel member seeks to maximize own profits.					
iv. No channel member has control over each other.					

15 .What other factors hinder successful achievement of your goals in Kenya?

16. Other than the ones listed above, what other response strategies has your company developed to mitigate the effects of the above challenges.

<b>1. To what extent do the following statements relate to your Business Strategy :Differentiation)</b>	5	4	3	2	1
1. Gaining competitive advantage through superior products.					
2. Creating superior customer value through service quality.					
3. Producing high-quality products.					
4. Building up a premium product or brand image.					
5. Obtaining high prices for your products.					
6. Having cooperative and supportive channels of distribution					
7. Developing customer – specific products.					
8. Emphasizing advertising and promotion.					
9. Developing innovative marketing techniques.					
10. Developing innovative products.					

<b>2.Indicate the extent to which your company uses below strategies to remain competitive : (Cost leadership)</b>	5	4	3	2	1
1. Pricing at or below competitive price levels.					
2. Pursuing cost advantages in raw material purchases.					
3. Pursuing operating efficiencies.					

4. Controlling overhead and variable costs tightly.					
5. Pursuing economies of scale.					
6. Minimizing costs related to channels of distribution.					
7. Emphasizing low cost per unit.					

<b>3. Formalization. (Structures)</b>	5	4	3	2	1
1. Our relations with our channels are subject to a lot of rules and procedures stating how various aspects of the relationship are to be handled.					
2. Our channels follow standard rules and procedures in their relationships with us.					
3. Our contacts with our channels are on a formal, pre planned basis.					
4. There are standard procedures and rules to be followed by every channel member.					
5. Our channel members have to conform to written rules and formal guidelines.					

<b>4. Centralization</b>	5	4	3	2	1
1. There can be little action taken in our distribution organization until we make decisions.					
2. Channel members who want to make their decisions concerning our products are discouraged in our distribution					

organization.					
3. In our distribution organization, even small matters have to be referred to us for a final decision.					
4. Any decision a channel member makes regarding our product has to have our approval.					
5. Our channel members cannot go ahead with actions without checking with us.					

<b>5. Specialization</b>	5	4	3	2	1
1. Different channel members in our distribution system perform specific functions.					
2. Most channels are responsible for making decisions about functions that require special skills.					
3. Different channels are responsible for making decisions regarding different functions.					



### APPENDIX III: LIST OF COMPANIES

	<u>MEMBER COMPANY</u>
1	AGRICHEM & TOOLS
2	AGRISCOPE (AFRICA) LTD
3	AMIRAN KENYA LTD
4	ANSET INTERNATIONAL LTD
5	ARYSTA LIFE SCIENCE CORPORATION
6	BIMEDA
7	BASF EAST AFRICA LTD
8	BAYER E. A. LTD
9	BELL INDUSTRIES LTD.
10	BIOMEDICA LABORATORIES LTD
11	CHEMRAW E.A. LTD
12	CHEMTURA CORPORATION
13	COOPER K BRANDS LTD
14	DERA CHEMICAL INDUSTRIES
15	DIPCHEM E.A. LTD
16	ELGON KENYA LTD
17	GREENLIFE AGROSCIENCE EA LTD
18	FARMCHEM LTD
19	FEDO AGENCIES
20	HARDI KENYA

21	HIGHCHEM ESSENTIALS LTD
22	FINLAYS HORTICULTURE (K) LTD
23	INSECTA LTD
24	JUANCO SPS LTD
25	KAPI LTD
26	KILIMO CENTRE LTD
27	KOPPERT BIOLOGICAL SYSTEMS
28	LACHLAN (K) LTD
29	LAIBUTA CHEMICALS LTD
30	MTAKI AGRIC-INPUT DISTRIBUTORS
31	MEA LTD
32	MONSANTO KENYA LTD
33	MURPHY CHEMICALS E.A. LTD
34	NORBROOK KENYA LTD
35	OSHO CHEMICAL INDUSTRIES LTD
36	ORBIT CHEMICAL INDUSTRIES
37	ORGANIX LTD
38	ORION EAST AFRICA LTD
39	PESTGON LTD
40	PRESTIGE AGRICULTURE LTD
41	PROFARM AFRICA LTD
42	PYTECH CHEMICALS GMBH
43	RENTOKIL INITIAL KENYA LTD

44	ROCKEM LIMITED
45	ROTAM SUB-SAHARAN AFRICA
46	SAFINA (EA) LIMITED
47	SAROC LTD
48	SINERIA EAST AFRICA LTD
49	SYNGENTA E. A. LTD
50	TOPSERVE E.A. LTD
51	TROPICAL FARM MANAGEMENT
52	TWIGA CHEMICAL INDUSTRIES
53	TURBO HIGHWAY ELD LTD
54	ULTRAVETIS E.A. LTD
55	UNGA FARMCARE E.A. LTD