

**STRATEGIES EMPLOYED BY CADBURY KENYA
LIMITED TO GAIN SUSTAINABLE COMPETITIVE
ADVANTAGE**

BY

SIMON M. MUIGAI

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DECLARATION

This research project is my original work and has not been submitted for award of degree in this or any other university.

Signed.....Date.....

Simon Mwaura Muigai

D61/63171/2011

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

Signed.....Date.....

Dr. Kitiabi Regina M. K.

Lecturer,

Department of Business Administration,

School of Business,

University of Nairobi

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May God bless you all

DEDICATION

I dedicate this study to my ardent wife Emmah Mwaura for her unwavering support and believing in me all through, and my astounding daughter Daisy Mwaura who sacrificed her precious time with me for this noble course. To my parents Gabriel and Josephine Mbure for putting me on track for success. To all sons and daughters of Muigai's family for the great moral support.

ABSTRACT

An organization's success is environment depended. Organization functions within the environment. The environment offers opportunities and poses threats to an organization depending on the capabilities of the organization. For an organization to survive it has to pay keen attention to its environment. Thomson et al (2010) posits that a company's competitive strategy deals exclusively with the specifics of management plan for competing successfully. Barney and Hesterly (2008), posits that the ultimate objective of the strategic management process is to enable a firm to choose and implement a strategy that generates a competitive advantage. In general, a firm has a competitive advantage when it is able to create more economic value than rivals. The study set out to address two objectives namely to establish the strategies CKL had used to create sustainable competitive advantage and to establish the challenges CKL faced in pursuit of creating sustainable advantage. This study made use of both primary and secondary data. Primary data was collected through in-depth interviews with the senior management at CKL. Secondary data was obtained from the company's records such as financial statements and in-house magazines and publications. A content analysis was performed on the data to allow for an in-depth understanding of issues in the case. The study found out that CKL had periodic strategic plans. The review period was found to be every 5 years. Strategies are normally developed by the global corporate company – Mondelez International, cascaded into a local strategy and implemented based on the local setup. The study established there had been many changes in the external environment variables though CKL was able to respond to most of them. In the political framework the company faced various challenges prior to the 2007 and 2013 elections because the environment was harsh in doing business. In the legal environment, the key variable had been taxation. In the technological environment, the key changes were due to innovation which was mainly driven internally by the global company. This led to development of Centers for Excellence for specific manufacturing for affordability of the technology, economies of scale and for better value creation. Economic factors which affected CKL include reduced capital outlay, high interest rates and high cost of electricity. In the competitive environment, key variables were the barrier of entry is high, bargaining power of suppliers and buyers fairly very low and availability of cheap raw materials from China, Asia and some local companies. The study suggested that in order to understand strategies possible for these environmental changes, further studies are required in other companies in the industry to get a holistic view. A further study could be carried out to gain a full understanding why CKL chose these strategies and to establish if there are other strategies CKL could have used. Lastly, further studies could be done to establish how CKL can alter these strategies so as to respond to the imminent environmental changes in future. This study concludes that, even for companies that were successful, it is prudent that they continuously engage in strategies that are aligned and match with the changes in the external environment to create sustainable competitive advantage. Organizations also need to selfishly guard its core competencies and unique resources to be able to create a sustainable competitive advantage.

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LIST OF ABBREVIATIONS AND ACRONYMS

CDC	Cadbury Drinking Chocolate
CDM	Cadbury Dairy Milk
CKL	Cadbury Kenya Limited
EA	Environmental Audit
EAC	East African Community
EIA	Environmental Impact Assessment
GDP	Gross Domestic Product
GMP	Good Manufacturing Practices

CHAPTER ONE: INTRODUCTION

1.1 Background of study

Kotler (1997) observed that turbulent environmental changes can lead to yesterday's winning business ways and principles becoming irrelevant today. Organizations need to have the right alignment between their internal structures and their external environment in order for them to function effectively and efficiently, or else face elimination. Business environment consists of variables that form the content within which firms exist. Hunger and Wheelen (1999) observed that an organization's external environment goes beyond the firms operating environment and comprises of economic forces, social cultural, demographic, political and technological forces. Internal environment include organization culture, policies, systems and resource capabilities. Businesses are open systems that get inputs from environment and after transformation they take their outputs back to the environment. This implies that businesses will affect or be affected by the environment since it depends on it to provide its inputs. Environment determines the extent to which its products succeed. In order to succeed, firms need to develop capability to manage threats and exploit emerging opportunities with speed. Environment presents business with opportunities, threats and constraints and it is upon the managers or organizations to anticipate, monitor, assess and incorporate this decision making process (Porter, 1985)

1.1.1 Sustainable Competitive Advantage

Ansoff (1984) observed that, in order for organization to achieve their goals and objectives, they have to constantly adjust to their environment. This environment is turbulent, constantly changing and so it makes it imperative for organizations to continuously adapt their activities to this environment in order to survive. The success and the survival of every organization depend on how it relates with its challenges and how it positions itself to the external environment. The manager therefore has a major task of designing strategies that will ensure that the organization remains successful.

Strategy is the heart of strategic management for it helps an organization to formulate and implement various tasks in its attempt to prosper. Strategy should help organizations to develop and maintain a competitive edge on the market focusing on the customer needs and the competitors. Business managers should evaluate and choose strategies that will make their business successful. Business becomes successful when they possess some advantages over their competitors (Pearce and Robinson, 1997). The core of success or failure of a business rests in the level of competition. It is competition that defines the appropriateness of firm's activities that can contribute to its performance such as innovation, a cohesive culture or good implementation.

Strategic planning is developed to respond to increasing challenges caused by high levels of environmental turbulence. Firms have been faced with dynamism in the environment in the globalization of markets, worldwide economic recession, increased competition and other environmental changes. Firms need good strategies to enhance their success. Strategies chosen for their implementation depend on factors such as leadership, resource available to the firm and changes in environment. Studies in strategy suggest that firms need to seek strategic fit between their internal resources i.e. their strength and weaknesses and their external environment i.e. the opportunities and threats (Aosa, 1992). The internal environment includes systems, policies, resources capacity and corporate culture. In order to remain competitive, relevant and sustainable, firms need to formulate strategies that will balance the two environments. Due to constant changes in the environment, firms need to continuously adapt their activities to the realities in the environment; otherwise their future success may be in jeopardy (Aosa, 1996).

The essence of formulating a strategy is relating a company to its environment (Porter, 1998). According to Aosa (1992), the actions of competitors have direct influence on a firm's strategy. He further states that strategy will only make sense if the market to which it relates is known. The nature of the industry needs to be understood. The structure of an industry and trends in that industry will help the current and future attractiveness of that industry. Porter (1980) acknowledges that competitive advantage is the ability of the firm to outperform rivals on the primary performance goal profitability.

Barneys (1997) argues that the essence of business is to create competitive advantage that comes in a number of ways such as low cost production or market differentiation. He identifies three elements that collectively lead to competitive advantage that creates value and they have called these elements the corporate strategic triangle-resources (company assets, skills and capabilities), strategic business units and other key segments of the company- structure, systems and processes. They argue that these three sides of a triangle must be aligned to the company vision, goals and objectives to produce competitive advantage that would lead to value creation.

The ultimate aim of a firm is to make profit and to develop a distinctive competence greater than its competitors. The profit potential in an industry depends on collective strength of the five forces that determine industrial attractiveness (Porter, 1998). The forces include threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitute products or services and rivalry among existing firms. These forces are essential for determining how a firm positions itself in the industry and thus in the end determine whether a firm profitability is above or below the industrial average. A proper analysis of the five forces should lead a firm to determine its competitive advantage, the fundamental basis for above average performance in the long run. The basic types of competitive advantage that firms can poses are low cost, differentiation and focus. Sustained competitive advantage leads to superior average profitability in a company.

From the discussion above, we note how interrelated the organization and their external environment are, as this is where the organizations output are discharged and where inputs come from. We also note that the company must discharge those outputs that meet the needs of the external environment. This external environment is always changing; sometimes more turbulently that other times. Consequently, the company must configure not only its resources to meet these needs, but must develop foresight, flexibility and speed in order to be able to interact effectively with its external environment-it must have competitive strategies - and be able to manage them.

1.1.2 Competitive Strategies

Various Studies have been done to determine strategies and challenges facing the Kenyan Multinationals. But these have not been conclusive enough to warrant a generalization. The past studies pointed out that the local firms apply competitive strategies and experience challenges which are unique and sector specific hence cannot be generalized to fairly represent the other sectors that have not been studied. Competitive strategies are unique and highly sensitive to environmental circumstances. Ngotha (2008) studied on competitive strategies employed by JohnsonDiversey East Africa Limited. The study found out that the company has competitive strategies that are sustainable and ensure it of its market position. The strategies include cost leadership, differentiation and focus. These strategies are formulated through the joint effort of stakeholders. The study further acknowledged that the firm faces challenges and very stiff competition as a result of liberalization of the economy. The company therefore needed serious and urgent reforms so as to favorably compete locally, regionally and globally.

Ng'ong'a (2011) on strategic responses of Nestle Kenya Limited to the changing environment of Food Industry in Kenya found out that the challenges in the external environment that affect the operation of the organization were such as competition from firms in food industry. The company had adopted various measures to curb or align itself to the environmental changes. These included the plant expansion, outsourcing noncore company services, diversifying its product range to reach more consumers, having an exposed organizational leadership and culture in the organization and upgrading its information and technology.

Karanja (2002) on competitive strategies of real estate firms found out that the most popular type of competitive strategy employed by realtors was on the basis of differentiation. The service nature of real estate industry leads to competition mainly based on giving a unique service over what others are providing. The study further found out that the scope of operation used to gain competitive advantage, the most popular was a narrow focus. Major challenges include rising levels of inflation and interest rates related to the level of income available for investment.

1.1.3 Manufacturing Industry in Kenya

The Kenyan manufacturing industry is almost a century old now. The first local manufacturing companies in Kenya were run by the government mainly the agricultural produce processing industry such as sugar mills, sisal processing and pineapple. Sugar cane crushing mills were established by the colonial government in Nyanza and Coastal regions in 1922 and 1927 respectively. The government ventured in to these to attain self sufficiency of sugar, curb rural – urban migration, create employment opportunities, and save on foreign exchange through import substitution.

Today Kenya has a large manufacturing sector serving both the local and exports to East Africa Region and beyond. The sector, which is dominated by subsidiaries of Multinational Corporations, contribute approximately 13% the Gross Domestic Product (GDP) in 2004. Improved power supply, increased supply of agricultural products for agro processing, favorable tax reforms, tax incentives, more vigorous export promotion and liberal trade incentives to take advantage of expanded market outlets through the Common Market for East, South Africa and East African community arrangements, have resulted in modest expansion of the sector.

The rising level of poverty coupled with the general slowdown of the economy has continued to inhibit growth in demand of locally manufactured goods, as effective demand continues to shift more in favor of relatively cheaper imported manufactured items. In addition, the high cost of inputs as a result of poor infrastructure has led to high prices of locally manufactured products hence limiting their competitiveness in the regional and international market and hampering the sector's capacity utilization. The recent introduction of East African Community Customs Union provides Kenya's manufacturing sector – the most developed within the region-and greater opportunity for growth by taking advantage of the enlarged market size, economies of scale and increased intraregional trade.

It had been predicted that manufacturing sector will contribute 15.7% of the Kenya GDP by 2007 (Economic Survey, 2006). However the sector has continued to face various

challenges which have affected the sector competitiveness. These included high cost of production, competition from cheap imports, high taxes, low credits from financial institutions and drought (Economic Survey, 2010). The Kenya Association of Manufacturers identified 1,300 business related licenses in Kenya required in manufacturing sector in a survey conducted in 2006 implying that this sector is highly regulated.

1.1.4 Cadbury Kenya Limited (CKL) Company

Cadbury started back in 1824, when John Cadbury, the founder started a grocery store in Birmingham U.K. selling cocoa. On retirement, two of his sons, Richard and George continued the business. In 1866, they began making cocoa essence by processing cocoa butter from cocoa beans. In 1879, the Cadbury factory moved to Bourneville and 1899 Cadbury brothers became private limited company, which became a public company in 1962. Two years later, it entered in to sugar confectionery market. In 1969, Cadbury merged with Schweppes to become Cadbury Schweppes Limited (Cadbury, 2009)

The name Cadbury has been synonymous with quality sugar confectionery, food and soft drink products. In Africa, it has subsidiaries in Ghana, Egypt, Zimbabwe, Zambia, South Africa and Kenya. Cadbury Schweppes Kenya Limited was established in 1970, a year after Cadbury merged with Schweppes. A modern food and drink factory was built to cater for Cadbury and Schweppes products, the first combined operation worldwide. Prior to opening the factory, all the products were imported. In 1984, Cadbury Schweppes Kenya Limited sold out the drinks business. In 1992, Cadbury Schweppes Limited changed its name to CKL in order to reflect the business the company was in.

Cadbury Intl was acquired by Kraft Foods Intl (an American Food Company) in 2010 thereby forming the 2nd largest food manufacturing company in the world. Later in 2012 the Kraft Foods Intl split in to 2 companies forming Kraft Foods North America and Mondelēz International, where the latter concentrate on confectioneries, whereby it is the world's market leader.

CKL (wholly owned subsidiary of Mondelez International) is Kenya's leading local manufacturer of cocoa based products Cadbury Cocoa and Drinking Chocolate. After the closure of the Moulded Line in 2010 which used to manufacture Moulded Chocolate and Bournvita, it started importing them from other SBUs within Mondelez International i.e. Moulded Chocolate and Countlines from South Africa and Egypt, Bournvita from India, Candies and gum from Botswana and South Africa. It dominates the chocolate confectionery market in Kenya. Cadbury Dairy Milk is the favorite to chocolate consumers.

Like other companies in the industry, the company business activities are affected by changes in the external environment. This include changing environmental requirements, political instability, trading blocks, lack of free movement of goods, increased competition, increased cost of inputs such as raw materials, fuels and increased customer awareness and demand. Due to this, the company has to craft competitive strategies that will enable it to be competitive and outperform its competitors and maintain market share.

1.2 Research Problem

The strategic uses of the products, complexities in their development and diversity of usage, have led firms to formulate and constitute competitive measures that will ensure survival, growth and profitability. Companies pursue competitive strategies to gain competitive advantage that allows them to outperform rivals and achieve average profitability. Developing competitive strategy is essentially developing a broad formula of how the business is going to compete. Competitive strategy grows out of an understanding of the rules that guide competition.

Business strategy is only powerful if only it produces a sizable and sustainable competitive advantage. The strategy should therefore emphasize on improvement in the competitive position of the firm's products in the industry. Porter (1998) emphasizes that competition is at the core of the success or failure of firms and that every competing firms should have a competitive strategy which will relate the firm to its environment.

Firms do not exist in a vacuum and are dependent on environment. A firm's external environment will consist of all the conditions and forces that affect its strategic options and define its strategic competition situation. A dynamic environment will therefore mean that firms have to compete more intensely (Pearce and Robinson, 1997).

CKL has a unique nature of the products and wide consumption. Over the last 10 years, there has been a huge rise in the number of similar firms operating in the industry hence stiff completion. Key competitors include Nestle, Excel Chemicals and Trufoods Ltd in cocoa beverages. In molded chocolates and count-lines, the stiff completion has been from Haco, Nestle and other imports. In gum business, the key competitors are Wrigleys and Kenafric Industries. These companies have increased their focus; they give heavy discounts to acquire key accounts, offer lower prices for the company's equivalent products. This has greatly increased the level of competition.

Previous studies on competitive strategies were done by Nyokabi (2001), Karanja (2002), Kandie (2001), Ndubai (2003), Obado (2005), Swahel (2007), Mburu (2007), Mibei (2007), Ngottha (2008), Mwazumbo (2010), Ngonga (2011) and Angwech (2012). They looked at competitive strategies applied in either a locally pure service and some pure manufacturing sector like soap and detergent manufacturing and soft drinks. For CKL, it has the above mix of businesses in the Food and Beverage Industry i.e. 50% local manufacturing and 50% imports distribution, which are a challenge to balance. The past studies pointed out that the local firms apply competitive strategies and experience challenges which are unique and sector specific hence cannot be generalized. Findings from previous studies cannot be generalized to fairly represent the other sectors that have not been studied.

As has been noted with the most locally based multinational corporations in the manufacturing industry, they have been closing shop here in the country and mostly relocating to South Africa or Egypt. This paradox need to be resolved. As captured in the Vision 2030, manufacturing is one of the sectors targeted for growth. For economic agenda of the country to be realized, Multinational Corporations - who are financial giants - cannot afford to wind up or down grade to just typical distribution centers, hence

denying Kenyans a chance to manufacture and sell the product within the country and the region. CKL manufactures and sells cocoa beverages. The rest of the products are imported from the other SBUs. For a business that is 50% locally manufactured products and 50% from imports, it is important to know the criteria to use in choosing the suitable products to be manufactured locally and what is to be imported and sold in the country and the region. This is where a strategy that guarantees a sustainable competitive advantage is very important.

Kenya is strategically positioned within East Africa. Its economic influence within the region cannot be underestimated. The promising growth of EAC is something worth of the multinationals investing in both in manufacturing and distribution of the imports to maximize on their revenues. This provides a mass market for their product. In response, this will create job opportunities for the highly educate populous that wins Kenya a competitive advantage. Adopting proper strategies will ensure that CKL -Multinational Corporation -does not pull out while EAC economic growth is quite promising. It will be able to compete with local companies, hence not be outwitted or outmaneuvered by local companies. In so doing, locally manufactured brands and imported brands will complement each other. The uniqueness of this balancing act necessitated a separate study. Due to this competitive pressure, it was possible that CKL has put together a business strategy to ensure growth and sustainability of its business. The researcher found it important to establish how and what strategies had been developed and implemented to ensure sustainability of the business. The study set to answer the following questions; what strategies has CKL applied to create sustainable competitive advantage? What challenges has CKL faced in pursuit of creating sustainable advantage?

1.3 Research Objective

The objectives of the study were:

- i. To establish the strategies CKL has used to create sustainable competitive advantage.

- ii. To establish the challenges CKL faced in pursuit of creating sustainable advantage

1.4 Value of the study

The findings of this study will be critically significant to CKL as an organization and its various stakeholders in a number of ways. The company's top management and the board will find the study recommendations significant in the improvement of the current strategies. The study will also be beneficial to the managers of other firms within the food industry on how they can create a sustainable competitive advantage.

For academicians, this study will form a foundation upon which other related and replicated studies can be based on. It will also benefit scholars with more theory to understand how CKL has gained sustainable competitive advantage. The study will also aid potential investors in determining whether to invest in CKL or to establish their own companies by gaining insights on strategies employed by CKL to create sustainable competitive advantage.

Suppliers will benefit from this study by knowing the vision, mission and policies of the company. This will help them in improving the mutual beneficial relationship. Suppliers will also benefit by assessing the opportunities and threats posed by the company's strategies. The government will also grow insights in identifying challenges faced by the sector and strategies employed by companies to coping with them. In return, the government will develop mechanisms to support the sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

According to Mugenda and Mugenda (2003), literature review involves locating, reading and evaluating of previous studies, observations and opinions related to the planned studies. The chapter presents a review of the literature related to the purpose of the study. It is organized according to the specific objective in order to ensure relevance to the research problem. The review was undertaken in order to eliminate duplication of what has been done and provide a clear understanding of the existing knowledge base in the problem area. The Literature Review is based on the authoritative and original sources such as journals, books, thesis and dissertations.

2.2 Theoretical Foundation

Porters (1985) argue that generic strategies do not lead to above average performance unless it is sustainable in relation to competitors, though actions that improve industry structure may improve industry wide profitability even if they are imitated. The sustainability of the three generic strategies demands that a firm's competitive advantage resists erosion by competitor behavior or industry evolution. Due to this competitive pressure, it is possible that Cadbury Kenya Limited has put together a business strategy to ensure growth and sustainability of its business. The researcher finds it important to establish how and what strategies have been developed and implemented to ensure sustainability of the business.

2.3 The Concept of Strategy

Firms need strategies to be successful. It is often argued that strategies a firm pursues have a major impact on its performance compared to that of competing firms. Strategy is therefore defined as an action that a firm takes to achieve one or more of its goals. For most firms, the key goal is to achieve superior performance (Thomson, 1997)

Strategy is matching the firm's resources and capabilities to the external environment as well as the internal environment (Aosa, 1992). Chandler (1962) considered strategy as a means of establishing the purpose of the company by specifying its long-term goals and objectives, action plan and resource allocations to achieve the set goals and objectives.

Mintzberg (1991) viewed strategy as a plan, ploy, a pattern, a position and perspective. As a plan, strategy specifies consciously interrelated course of action of a firm. As a ploy, strategy is seen as a maneuver intended to outwit a competitor. As a pattern, as strategy is seen as a pattern emerging in a stream of actions. As a perspective, a strategy consists of a position and an ingrained way of perceiving the world.

Ansoff (1965) define strategy as the product market scope of a company. This refers to a decision of what to produce in the market. If the environment is stable, an organization can operate without changing its product-market focus. However, if the environment changes, this would require changes in the organizations product market focus, that is, its strategy. Aosa (1992) stated that, strategy is creating a fit between external characteristics and the internal conditions of an organization to solve a strategic problem. The strategic problem is a mismatch between internal characteristic of the organization and its external environment. The matching is achieved through development of organizations core capabilities that are correlated to the external environment. Strategic fit is a process of developing strategy by identifying opportunities in the business environment and adapting resources and competencies to create opportunities and capitalize on them.

The decision making hierarchy of the firm contain 3 levels (Pearce and Robinson, 1997). This includes corporate, business and operational level strategies. Corporate level strategy is concerned with the overall purpose and scope of an organization and how value will be added to the different parts (business units) of the organization. Business level strategy is about how to compete successfully in a particular market. Operational level strategy is concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people.

2.4 Business Environment and its Challenges

All organizations are open systems that are influenced by environmental variables that are turbulent and dynamic, that their unpredictability poses the greatest challenge to business. According to Pearce and Robinson (1997), a host of external factors influence a firm's choice of direction and action and hence its organizational structure and internal processes. These factors can be divided into three interrelated subcategories: Factors in the remote environment, industry environment and operating environment.

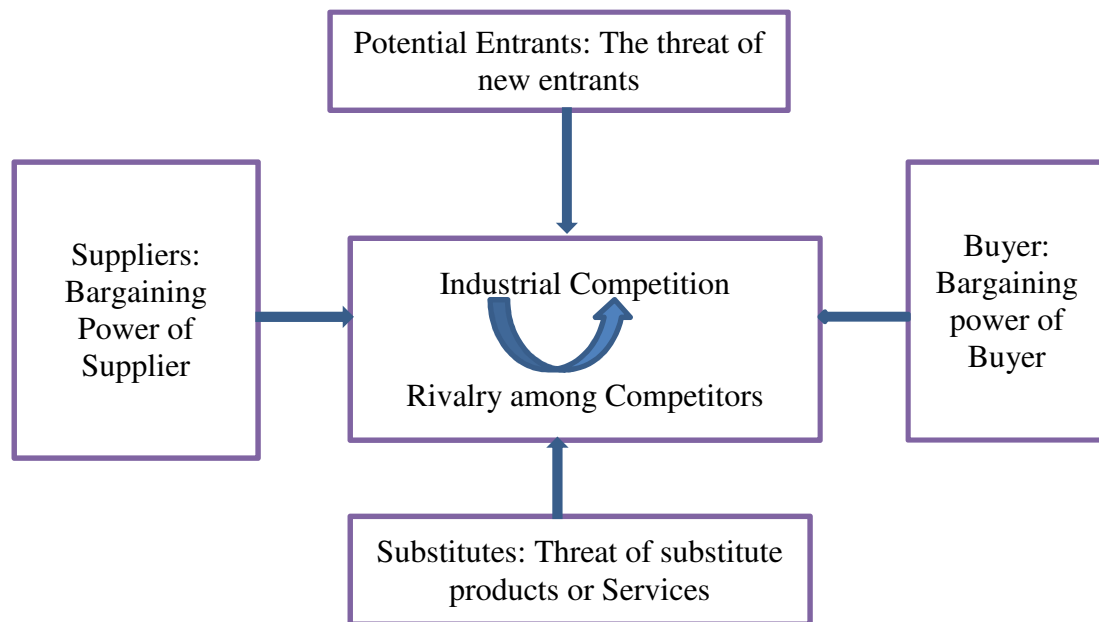
The remote environment comprises factors that organize beyond and usually irrespective of any single firm's situation (e.g. economic, social, political, technological and ecological factors). The environment presents firms with opportunities, threats and constraints. The industry environment ultimately provides the basis for competition. Operating environment is also called competitive task environment; it comprises factors in the competitive situation that affect a firm's success in acquiring needed resources or profitability, marketing its goods and services. The most important factors in this category are the firm's competitive position, the composition of its customers, its reputation amongst suppliers and creditors and its ability to attract capable employees.

2.5 Competitive Strategy

Competitive strategy specifies the distinctive approach which the firms intend to use in order to succeed in each of its strategic business units. Competitive strategy gives a company advantage over its rivals in attracting customers and defending against competitive forces (Ansoff, 1995). Competitive advantages come in many forms; the most basic is to provide buyers with what they perceive to be superior value, a good product that is worth paying more or a best value that represents an attractive combination of prices, features, quality, service and other attributes buyers find attractive. It also includes offensive and defensive moves to counter the maneuvering of rivals, actions to shift resources around to improve the firm's long-term competitive capabilities and market position, tactical efforts to respond to whatever market conditions prevailing at the moment (Thomson and Strickland, 2003).

The state of competition in an industry depends on five basic competitive forces namely: The threat of new entrants, the bargaining power of buyers and suppliers, the threat of substitute products or services and rivalry among existing firms. Porter (1998) observed that the five forces framework is useful only to the strategic business unit. They must not only be described but also be countered and overcome. The five forces are not independent of each other. It is common for pressure from one direction to trigger off changes in another in a dynamic process of shifting some competitors (Johnson Scholes, 2002).

Figure 1: Five Forces Framework



Source: Porter M.E. (1998) Competitive Strategy: Techniques for Analyzing Industries and Competitors, The Free Press

According to Porter, a company can out-perform rivals only if it can establish a difference it can preserve, and the essence of strategy is choosing to perform activities differently than rivals do. Competition usually results into competitive rivalry – a phenomenon common with organizations offering similar products or services aimed at the same customer group. To cope with the five competitive forces, there are three potential success generic strategic approaches to outperform firms in an industry; these

are overall cost leadership, differentiation and focus. A firm can successfully pursue more than one approach.

The difference among the three generic strategies is illustrated below:-

Figure 2: Porters Generic Strategies

		Strategic Advantage	
Strategic Target	Industry-wide	Uniqueness perceived by the customer	Low cost position
	Particular segment only	Differentiation	Overall Cost Leadership
	Focus		

Source: Porter M.E. (1998) Competitive Strategy: Techniques for Analyzing Industries and Competitors, The Free Press

2.6 Need for Gaining Sustainable Competitive Advantage

Porters (1985) argue that generic strategies do not lead to above average performance unless it is sustainable in relation to competitors, though actions that improve industry structure may improve industry wide profitability even if they are imitated. The sustainability of the three generic strategies demands that a firm's competitive advantage resists erosion by competitor behavior or industry evolution. The sustainability of a generic strategy requires that a firm possess some barriers that make imitation of the strategy difficult. Since barriers to imitate are never insurmountable, however it is usually necessary for a firm to offer a moving target to its competitors by investing in order to continually improve the position.

Porter (1985) further argues that cost advantage will result in above average performance only if the firm can sustain it. Improving relative cost position in unsustainable ways may

allow a firm to maintain cost parity or proximity, but a firm attempting to achieve cost leadership must also develop sustainable sources of cost advantage. Cost advantage is sustainable if there are entry or mobility barriers that prevent competitors from imitating its sources. Sustainability varies from different cost drivers and from one industry to another. Some drivers, however, tend to be more sustainable than others.

According to Porter (1985), the sustainability of differentiation depends on 2 things; its continued perceived value to buyers and the lack of imitation by competitors. There is an ever present risk that buyers needs or perceptions will change, eliminating value of a particular form of differentiation. Competitors may also imitate a firm's strategy or leapfrog the basis of differentiation a firm has chosen. The sustainability of a firm's differentiation must be based on sources where there are mobility barriers to competitors replicating them.

From the 1960s through the 1980s, the external environment was thought to be the primary determinant of strategies firms selected to be successful. However, another school of thought which has come to be famously known as the resource based model was brought forth in the field of competitive advantage (Barney, 1991; Collis and Margomery, 1995; Grant, 1991, Lado, Boyd and Wright, 1992).

A sustainable competitive advantage is achieved when firms implement a value creating strategy that is grounded in their own unique resources, capabilities, and core competencies. This is based on the resource based model which suggests that the unique resources and capabilities of a firm's environment are the critical link to strategic competitiveness. Firms achieve strategic competitiveness and earn above-average returns when unique competencies are leveraged effectively to take advantage of the opportunities of the external environment. (Hitt, Ireland and Hoskisson, 1997)

An organization also needs to have strategic capabilities that are not easy to imitate and finally those that cannot be easily substitutable (Barney, 1991). The challenge for strategist in all firms is to manage core competencies effectively while simultaneously developing new ones to use when the competitive advantage derive from application of

the old ones is eroded. Only when firms develop a continuous stream of competitive advantages do they achieve strategic competitiveness, earn above average returns and remain ahead of competitors.

Hitt et al (1997) defines resources as inputs in to a firm's production process, such as capital equipment, the skills of individual employees, patents, finances, and talented managers. In general a firm's resources can be classified into three categories; physical, human and organizational capital (Barney, 1991). Individual resources alone may not yield a competitive advantage. For example a sophisticated piece of manufacturing equipment may become strategically relevant resource only when its use is integrated effectively with other aspects of firm's operation (such as marketing and the work of employees). In general, it is through the combination and integration of sets of resources that a competitive advantage is formed.

Hitt et al (1997) concludes, the resource-based view is grounded in the perspective that a firm's internal environment in terms of its resources and capabilities is more critical to determination of strategic actions than is the external environment. Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment, the resource-based view suggests that a firm's unique resources and capabilities provide the basis for a strategy. The strategy chosen should allow the firm to best exploits its core competencies relative to the opportunities in the external environment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter shows how the data was collected to address the objectives in Chapter One. This chapter is organized in to three parts which are research design, data collection and data analysis.

3.2 Research Design

This was a case study of CKL. Kothari (1990) described a case study as a careful complete examination of a social unit, institution, family, cultural group or an entire community. A case study he argues embraces depth rather than breath of a study. According to Cooper and Schindler (2007), case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. The researcher used the case study strategy to gain a rich understanding of the context of the research and the processes being enacted (Saunders, Lewis and Thornhill, 2009).

Saunders et al (2009) in justifying the use of a case study strategy argued that it can be a very worthwhile way of exploiting existing theory. In addition a well-constructed case study strategy can enable a researcher to challenge an existing theory and also provide a source of new research questions. Other studies such as Ndung'u (2006) and Njoroge (2006) have successfully adopted a similar research design.

3.3 Sampling

Statistical inference permits drawing of conclusions about a population based on a sample. Sampling is often done for reasons of cost and practicality. In any case, the sampled population and the target population should be similar to one another. In this study, Stratified Random Sampling method was used. A stratified random sample was obtained, based on the role and responsibility of the respective manager in the strategy preparation process- hence separating the population into mutually exclusive sets, or strata, - and then drawing simple random samples from each stratum.

Out of thirteen middle level and senior managers, the planned initial target respondents for the study were ten for consistency of the information to be obtained. However, only nine were interviewed. These were Managing Director/Regional Manager, Commercial Manager, Field Sales Manager (two), Brand Managers (two), Plant Manager, Finance Business Lead and HR Manager.

3.4 Data Collection

This study made use of both primary and secondary data. Secondary data was obtained from the company's records such as financial statements and in-house magazines and publications. This method assisted in obtaining data quickly, cheaply and in probing when collecting primary data. Secondary data assisted in addressing the first objective which was to establish the changes in the competitive and remote external environments that have affected Cadbury Kenya Ltd.

Primary data was collected through in-depth interviews. An interview guide was used to steer the interview as well as ensure crucial data was not forgotten during the interviews. The interview guide made use of open ended questions. This allowed the respondents to explain phenomenon in their own words and in detail.

3.5 Data Analysis

The data collected from the study was qualitative data. A content analysis was performed on the data to allow for an in-depth understanding of issues in the case. Nachmias and Nachmias (1996) defines content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends.

By performing a content analysis, a clear understanding of respondents' answers was obtained. This approach had been used successfully by other researchers for previous similar studies like Awuor (2006), Omwenga (2007), Ngotha (2008), Obiero (2008), Muthike (2009), Mwanzumbo (2010) and Ng'ong'a (2011).

CHAPTER FOUR: DATA ANALYSIS, RESULTES AND DISCUSSION

4.1 Introduction

Data in raw form, that is, before there have been processed and analyzed, convey little meaning. These data, therefore, need to be processed to make them useful i.e. to turn them in to information. Content analysis was used in this study to allow an in depth understanding of the issues. This involved establishing related patterns and trends from the responses of the viewers.

According to the data found, 9 out of 10 heads of departments in CKL were interviewed giving a response rate of 90%. This was achieved after making frantic effort to book appointments with the respondents despite their tight schedule.

4.2 Profile of the company

Cadbury Schweppes Kenya Limited was established in 1970, a year after Cadbury merged with Schweppes. A modern food and drink factory was built to cater for Cadbury and Schweppes products, the first combined operation worldwide. In 1992, Cadbury Schweppes Limited changed its name to CKL in order to reflect the business the company was in.

CKL (wholly owned subsidiary of Mondelēz International) is Kenya's leading local manufacturer of cocoa based products Cadbury Cocoa and Drinking Chocolate. It trade in imports from other SBUs within Mondelēz International i.e. Moulded Chocolate and Countlines from South Africa and Egypt, Bournvita from India, Candies and gum from Botswana and South Africa. It dominates the chocolate confectionery market in Kenya. Cadbury Dairy Milk is the favorite to chocolate consumers. The portfolios are as illustrated below.

Figure 3: Mondelez International Portfolios



Source: Mondelez International (2013): Site Collection Documents – Company Fact Sheet

4.3 Strategic Planning

CKL had periodic strategic plans. The review period was found to be every 5 years. Strategies are normally developed by the global corporate company – Mondelez International. The strategies are aligned to the purpose, which is Creating Delicious Moments of Joy.

At the global corporate level, Mondelez International’s dream is to create delicious moments of joy in everything the company does. The 110,000 employees support this dream by manufacturing and marketing delicious food and beverage products for consumers in 165 countries around the world. The global strategy is cascaded into a local strategy and implemented based on the local setup which includes the local considerations and strategic sectors which are applicable locally.

Strategies are employed by breaking them down into short-term timeframes and sometimes specific regions for ease of implementation. Strategies were also found at both corporate and operational level and the bottom up approach was found in use. Some strategies were found to be emergent depending on the changes in environment.

To achieve strategic objectives, actions and targets are agreed with the persons responsible in the implementation. Monthly departmental meetings are done to review and gain understanding of the successes and also review courses of action. If any shortfalls are detected corrective actions are taken. The Senior Management Representatives (SMR) also conducts monthly reviews to gain an overall review of the strategy progress.

4.4 Environmental Changes

The study established there had been many changes in the external environment variables however not all these changes had a large impact on CKL. The following variables had impacted CKL and have led to the company to come up with strategies for creating sustainable competitive advantage. In the political framework the company faced various challenges prior to the 2007 and 2013 elections because the environment was harsh in doing business.

The company was also affected during the period of global recession which took place after 2003. During the post-election violence after 2007 the company was not able to deliver products to its customers in Western Kenya due to the ongoing hostilities during that time. The violence also affected tourism in Mombasa and investments were also limited in other sectors. The company recorded one of the lowest sales since its inception

The drought which affected most of the country after 2008 also had serious repercussions to CKL since power costs went up due to low water levels in hydroelectric power stations. Food shortage also meant the consumption of CKL products - which are more luxurious - went down, meaning low demand.

The opening up of the East African borders meant reduced tariffs and harmonization of trade documents. This has increased business in Uganda and Rwanda but Tanzania still

remains a hindrance due to non-tariff barriers that exist with Kenya. Further, since CKL has origin in United States of America, it is not allowed to trade with countries like Sudan and Somalia.

Legal changes in the environment especially for environmental compliance in the local scene had minimal impact. This was attributed to the fact that Mondelēz International overtime has implemented environmental systems such as ISO 14000 at a global level. Regulations have also been introduced by NEMA such as water quality and waste management by introducing treatment regime to facilitate for recycling and re-use. This is an extra cost to business operation that amounts to over Ksh. 300,000 per month.

Import duties imposed on imported finished products and raw materials also affects the CKL products competitiveness. Due to poor infrastructure and ongoing road construction, though significantly improving, the cost of distribution has also gone up. Traffic jams have also caused significant delays in Nairobi. The high cost of electricity also affected the cost of inputs e.g. packaging materials.

Technological changes due to innovation which is mainly driven internally by the global company as a result of creating sustainable competitive advantage, has also posed some challenges to CKL. This has led to development of Centers for Excellence for specific manufacturing for affordability of the technology, economies of scale and for better value creation e.g. Botswana manufactures chewing gum, South Africa does molded chocolate and countlines and Egypt countlines. Kenya only manufactures cocoa beverages for East African market only. SAP ERP is applied globally thus easing doing of business.

Economic factors which have affected CKL include reduced capital outlay because banks reduced their lending and also had high interest rates resulting in high costs of lending. Due to reduction in capital expenditure, CKL was not able to make strategic capital investments. Longer chains of management approval for capital expenditure also meant decisions were delayed on capital expenditure, since some of the products involve huge capital outlays. Some production of product have consequently been halted awaiting

capital commitment e.g. flavored cocoa beverages line strawberry, Coffee caramel and ginger.

The barrier of entry is high hence much of the competition is from both major local investors and multinationals. These are financial giants hence pose a major threat to the market share. Bargaining power of suppliers and buyers has fairly been very low and this can be attributed to the fact that the Kenyan market has many fragmented suppliers due to lack of regulation and hence the competitive pressure is high. The availability of cheap raw materials from China and larger Asia which have sometimes compromised on quality is also a challenge to CKL while trying to maintain superiority of its products since most of the competitors go for those low cost raw materials thus able to offer products at low costs. Counterfeits also do pose a major challenge. Due to the economic challenge, most of the consumers will go for these low cost products. This makes it very difficult to effect price changes and at times, this affects CKL margin. Suppliers with patented raw materials charge premium prices hence increasing cost of production.

Threat of substitution has mainly come through the overlap between the consumer and industrial suppliers which has also eaten in to the market share for CKL. Companies such as Excel Chemicals offer products such as Raha Drinking Chocolate which some consumers use in preference to the ones offered by CKL due to their low costs.

4.5 Strategies used to create sustainable competitive advantage

The following are the specific strategies used by CKL to create sustainable competitive advantage in response to changes in the external environment. These strategies were dependent on the company's internal capabilities and this study found them adequate in addressing the changes to the external environment and commitment from the staff was evident in the entire organization to ensure that they were successful.

4.5.1 Market Development

As a result of local loss of market share, CKL was forced to move from its traditional business and broaden its customer base. This was achieved through renewed efforts in

introduction of existing products into new markets such as Uganda, Tanzania, Rwanda and Ethiopia. A new Country Manager was hired, who was well conversant with the region, having worked with Coca Cola. More trade incentives were developed for the distributors in these markets. Market intelligence was conducted

Locally, the company adopted a strategy dubbed “Route-to-Market” to enhance distribution of the company products. An experienced Areas Business Supervisor was promoted to be in charge of this strategy implementation reporting directly to the Commercial Manager. Implementation techniques were borrowed from Coca Cola Company which has one of the best distribution systems in the region.

4.5.2 Retrenchment

The organization lost its business of manufacturing molded chocolate locally in Aug. 2010. The molded business constituted 50% of the operations and revenues. Commercially, this was to be replaced with imported chocolate – which were the global brands - though of different flavor. This led to management to retrench 30 of its 120 members of staff. This was able to help the company cut down costs hence maintaining its profitability. Most of the members of staff who were laid off were mainly from operations function.

4.5.3 Resource Provision

The retrenchment process above mainly focused on staff involved in the support process. This was strategic in that the organization wanted to increase its customer focus through commercial activities. The organization has also clearly defined the skills and competencies required for each job and these are matched with the individuals during the recruitment process and talent retention programs. Mapping has also been done for the existing staff using scientific process and any gaps identified are filled using specially designed programmes.

CKL has incentive schemes which are tied to performance based on objectives set for individuals. Objectives are monitored monthly based on agreed key performance indicators. The organization also took advantage of the low business during the 2013 election to carry out annual shut down for maintenance and to train its workers the

Mondelēz International Quality Policies in anticipation of the recovery of the economy and impending quality corporate audit.

4.5.4 Innovation/Product Differentiation

CKL has put a lot of emphasis on innovative products as a source of sales and creating sustainable competitive advantage. In 2011, SMS chocolate countlines of different flavors were launched in to the local market from Egypt to resonate with the young people. In 2012, the company launched imported first sugarless gum, Dentyne, into the regional market targeting the healthy living awareness. In 2013, Bubbly Chocolate has been launched that is dubbed the greatest innovation of the later days in chocolate industry.

In cocoa beverage, CKL has continued to innovate its packaging making it more appealing. The shape of the jar has always been redesigned for both Bournvita and Cocoa beverages. Thus have continued to take the leading role in competitive advantage and the competitors are forced to use the imitation strategy e.g. Raha Drinking Chocolate and Cocoa.

Although innovation has sometimes led to obsolescence in the past, the organization has ensured that the raw and packaging material phase out process is well managed to avoid ending up with obsolete material.

4.5.5 Global Sourcing (Suppliers)

To curb high raw material costs, CKL has tapped into long term global contracts, where prices are negotiated with suppliers globally so as to take advantage of economies of scale. CKL has also reduced the number of its suppliers which has given the selected few high volumes and in the process they are able to give the organization better prices and improved reliability e.g. cocoa beans are sourced and milled centrally in United Kingdom and then supplied/allocated as per demand to all Cadbury plants in the world. All flights, accommodation and transfers in Mondelēz International in all countries are done by BCD Travel. Sourcing of manufacturing machines has been centralized.

CKL also has consignment stock arrangement with suppliers where stocks are held by these suppliers and only supplied to CKL just when they are needed. This reduces the inventory costs such as warehousing and insurance. CKL is then able to pass this cost reduction benefit to its customers and therefore be able to charge reasonable prices and sustain them in long term.

4.5.6 Global Manufacturing Practices

To ensure that customers are getting value proposition operations have been standardized throughout. Quality, Environment, Health and Safety systems have been standardized globally. Engineering approaches too and manufacturing controls. This is well communicated through intranet that reflects all policies. Some factories which produced similar products have been rationalized resulting to closure of some to capitalize on economies of scale. This has come to be known as “Centers for Excellence”.

4.5.7 Mergers and Acquisition

To come to be, Mondelēz International - who owns CKL - has undergone a series of mergers and acquisitions in order to create sustainable competitive advantage at a global level. Cadbury Schweppes Kenya Limited was established in 1970, a year after Cadbury merged with Schweppes. A modern food and drink factory was built to cater for Cadbury and Schweppes products, the first combined operation worldwide. Prior to opening the factory, all the products were imported. In 1984, Cadbury Schweppes Kenya Limited sold out the drinks business. In 1992, Cadbury Schweppes Limited changed its name to CKL in order to reflect the business the company was in.

Cadbury Intl was acquired by Kraft Foods Intl (an American Food Company) in 2010 thereby forming the 2nd largest food manufacturing company in the world. The strategy for Kraft Food Intl in this acquisition was to utilize the Cadbury’s well-established channels in developing markets to penetrate into those markets. Later in 2012 the Kraft Foods Intl split in to 2 companies forming Kraft Foods North America and Mondelēz International, where the latter concentrate on confectioneries, whereby it is the world’s market leader. CKL (wholly owned subsidiary of Mondelēz International) is Kenya’s

leading local manufacturer of cocoa based products Cadbury Cocoa and Drinking Chocolate.

4.5.8 Strategic Alliance

CKL has gotten into strategic alliances to create sustainable competitive advantage. This includes a strategic alliance with Diversy Eastern and Central Africa Limited to offer total cleaning, hygiene and utilities management.

4.5.9 Cost leadership

CKL has come up with low cost products down packed to small pack sizes in 20g and 50g for both Cocoa and Drinking Chocolate to service the market segment that are price sensitive. They achieve this through eliminating non-value adding activities, zero based budgets, having long term contracts with suppliers, proper forecasting of sales and supplies, flat and lean organizational structure, and innovations among value chains among others. Low cost products have also been imported in to the country that have been a major success like Cadbury SMS, Cadbury Fudge, Chicklets (chewing gum) and sachet Bournvita.

4.5.10 Equipment Leasing

To mitigate on the customers avoidance of capital expenditure, CKL has engaged in capital investment with high value customers with better returns. This is planned expenditure is included in the budget. Customer support has come through provision of Point of Buying and Selling Materials and over 200 Chocolate Air Coolers in the region to drive sales.

4.5.11 Management Systems

CKL has also implemented management systems such as Mondelez International QMS, ISO 9001:2008 for Quality Management, ISO 14001:2004 for Environmental Management, OSHAS 18001 for Occupational Health and Safety and ISO 22000 for Food Safety. These have provided leverage on ensuring compliance to the local legislation and corporate social responsibility to its worker, environmental protection, safety of customers and consumers.

SAP System is the ERP system adopted for business control. Catalyst Software is currently under implementation to replace SAP System. Other supporting systems also run parallel to this depending on the function. This includes RCMII (Reliability Centered Maintenance II) employed by Engineering Department and SCORE System for production planning. This has eased the doing of business.

4.5.12 Global Brands

When the company exports a product label, it has the choice between using: specific brands in each market (local brands), or a single brand for all its foreign markets (global brand). The decision between these two alternatives, which each have their advantages and drawbacks is related to the choice between standardization and adaptation of brands in foreign markets and the desire to associate a local image or a foreign image to the product.

A global brand (examples: Cadbury Dairy Milk) is a brand that is marketed the same way worldwide. This means strategic principles are identical in all markets, an identical position is observed in all markets. The brand positioning is the mental image associated with it. If we associate the brand with a high price or a particular age group in the domestic market, it will have the same position worldwide. Further, marketing strategy is identical in all markets with a few exceptions to best adapt to local tastes and to the competition. The marketing mix is not completely uniform because it can vary in price, the media distribution systems used plus other factors.

4.6 Discussion of Results

The result of this study are in support of Pearson and Robinson (2008) suggestion that other than managing the internal activities, the modern executive must also respond to the challenges posed by the firm's immediate and remote environment. It is evident from this study that CKL has had to respond to challenges in the environment and come up with strategies to be able to create a sustainable competitive advantage.

This study also supports the argument by Barney and Hesterly (2008) that any analysis of the threats and opportunities facing the firm must begin with an understanding of the general environment within which a firm operates. This general environment consists of

six interrelated elements which are technological change, demographic trends, the economic climate, legal and political conditions and specific international events.

The study is also in line with the argument by Ansoff and Mc Donnell (1990) that a firm's performance is optimized when aggressiveness of its strategic behavior matches environmental turbulence, the second condition being that the responsiveness of the firm's capability matches the aggressiveness of its strategy and thirdly, that the component of the firm's capability support each other. This study has evidence that CKL has responded to the changes in the external environment with a force that is dependent on the strength of the change and its own capabilities.

This study also supports the argument by Hitt et al (1997) that a sustainable competitive advantage is achieved when a firm implements a value-creating strategy that is grounded in their own unique resources, capabilities and core competencies. These unique resources and capabilities of a firm's internal environment are the critical link to strategic competitiveness. They further argued that firms achieve strategic competitiveness and earn above average returns when unique competencies are leveraged effectively to take advantage of the opportunity of the external environment.

The results of this study can easily be compared with similar studies done to determine how different organizations have adopted strategies to react to changes in the environment in order to create a sustainable competitive advantage. These studies include those done by Dulo (2006) who studied the sources of competitive advantage and performance of firms in the Kenya sugar industry, Mwanzumbo (2010) who studied strategies used by Diversy Eastern and Central Africa Limited to create sustainable competitive advantage, Ng'ong'a (2011) who studied strategic responses of Nestle Kenya Limited to the changing environment of food industry in Kenya and Anwech (2012) who studied competitive strategies adopted by Coca Cola Kenya.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter highlights the summary of findings. It provides details on challenges faced by CKL in external environment and strategies used to create sustainable competitive advantage. The chapter provides the conclusion drawn and recommendations. It further appreciates limitations of the study and suggestions for further studies.

5.2 Summary of Findings

This study set out to determine what strategies CKL has put in place to create sustainable competitive advantage and the challenges CKL has faced while in pursuit to creating sustainable competitive advantage. This study made use of both primary and secondary data.

5.2.1 Challenges faced by CKL in External Environment

The study established that the flowing variables in the external environment informed CKL to come up with the strategies below in order to create competitive advantage. The key variable is the political legal environment created by sequence of elections. The other legal variable which affected CKL was the nontariff barriers with Tanzania also affected

Technological changes, due to innovation have created centers for excellence. In the economic environment, the main changes included high interest rates, inflation, and availability of credit and cost of production. In the ecological environment challenges at a global level have been restriction of raw materials and waste management.

Socio-cultural environment from customers and consumers has also been a challenge. The luxurious products have been affected by their living style e.g. chewing gum. However, the security situation in the region due to instability in Somali has affected the cost of production due to high shipping costs and stringent security measures.

Other challenges include those related to competitive pressure due to high barriers of entry in the industry, hence attracting manufacturing giants, resulting into competition

entry. The other challenge was due to importation of cheap and low quality raw materials from countries like China and larger Asia which competitors were able to use.

5.2.2 Strategies used to Create Sustainable Competitive Advantage

The study established that in coming up with strategies; the country leadership team was able to consider changes in the external environment that exerted significant pressures. These strategies also include looking internally to ensure that the organization is able to cope with these external variables.

This study established that CKL had strategies to address these environmental changes to create sustainable competitive advantage which included innovation, resource provision, market development, global sourcing, global manufacturing practices, mergers and acquisition, strategic alliance, cost leadership and value chain analysis.

CKL sales have had an upward trend of between 15-20% for the last 5 years. The turnover has stabilized with annual sales of approximately Kshs2.4 billion in the year 2012. CKL has continued to be the market leader in food drinks with a market share of 58% in 2012.

5.3 Conclusion

CKL had employed strategies in order to cope with environmental changes. Some of these strategies are in line with the grand strategies suggested by Pearce and Robson (2008) some of which were market development and innovation. The other strategies such as cost leadership and differentiation are in line with those suggested by Porter (1985).

It's quite clear from the study that CKL has been able to create sustainable competitive advantage and clearly the market leader. CKL has been able to do this by responding to the changes in the environment by initializing its internal capabilities. This is in line with the resource based view that a firm's resources and capabilities are valuable when they enable it to exploit external opportunities or neutralize external threats (Barney and Hesterly, 2008). Such valuable resources are a firm's strength. Using valuable resources

to exploit external opportunities or neutralize external threats will have the effect of increasing the firm's net revenue or decreasing its net costs.

5.4 Recommendations

CKL has been fairly successful in the strategies it has used in the last 3 years to create sustainable competitive advantage and thus become a market leader in its category or portfolio in food manufacturing industry. However, the study recommends that with the opening of the borders, trade in the regional markets will expand more effectively. The company should constantly innovate with the aim of delivering simplicity to the customers and cost control, by creating paradigm shifts each time a key innovation is delivered like every 5 years.

The company should also focus on niche markets with unique solutions for each group, perform value chains activities better than competitors, develop customers to partner, eliminate waste and improve processes. CKL needs to hasten the process of carrying out a thorough market survey of the new imported products being launched or traded in the country and region to minimize product failures. It's also important to do an evaluation of sustainability of supply of the imported products. The company should organize around the "country specifics" and minimize investments in fixed assets in volatile geographical areas.

Further, the new global system for enterprise resource planning (CATALYST) being implemented will help develop and manage the supply chain. This will help in the global standards requirements where global companies require integrating programs such as training for staff in CKL. The global corporation will also be able to understand the challenges being faced because they will be operating on same platform with the local company.

5.5 Limitation of the study

The findings of this research were limited due to some factors which arose while undertaking the study. The biggest challenge was the fact that CKL is a privately owned company but public reporting and so it is not listed in Nairobi Securities. Information on sales and market share could only be obtained from the country leadership and it was not

possible to verify the same from independent sources. Further, the Information Security Policy also limited the access and sharing of data.

A manager was also not available for interview due to the busy schedule. The time available for this study was also limited and especially in data collection using the interview method. This study only involved managers and other stakeholders were consulted limiting it to the information availed by them.

5.6 Suggestion for Further Study

This study focused on CKL's strategies it has used to gain sustainable competitive advantage in response to environmental changes. However, these changes affect all companies in a particular industry and sometimes companies in a given geographical market. In order to understand strategies possible for these environmental changes, further studies are required in other companies in the industry to get a holistic view.

Different companies respond to environmental changes in their own way. CKL was able to use the strategies identified in this study. However there might be need to gain a full understanding why CKL chose these strategies by conducting a further study and to establish if there are other strategies CKL could have used. In addition, since the environment is ever changing, further studies could be done to establish how CKL can alter these strategies so as to respond to these environmental changes in future.

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APPENDICES

Appendix 1: CKL Products

Stocks Unit	CATEGORY	BRAND
Cocoa 20 gm Sachet	Food Drinks	COCOA
Cocoa 50g	Food Drinks	COCOA
Cocoa 100g Sachet	Food Drinks	COCOA
Cocoa 3Kg	Food Drinks	COCOA
Cocoa F11 25kg	Food Drinks	COCOA
Cocoa 25 Kg	Food Drinks	COCOA
Cocoa Ginger 400G Jar	Food Drinks	COCOA
Cocoa 90G Jar	Food Drinks	COCOA
Cocoa 100G Jar	Food Drinks	COCOA
Cocoa 200G Jar	Food Drinks	COCOA
Cocoa 400G Jar	Food Drinks	COCOA
Cocoa 400G Jar (HD)	Food Drinks	COCOA
Bournvita 85g Sachet	Food Drinks	BOURNVITA
Bournvita 200g Jar	Food Drinks	BOURNVITA
Bournvita 500g Jar (15 units)	Food Drinks	BOURNVITA
Drinking Chocolate 8g	Food Drinks	CDC
Drinking Choc Sachet 20g	Food Drinks	CDC
Drinking Choc Sachet 50g	Food Drinks	CDC
Drinking Choc Sachet 90g	Food Drinks	CDC
Drinking Chocolate 25kg Bag	Food Drinks	CDC
Drinking Chocolate 125g Jar	Food Drinks	CDC
Drinking Chocolate Strawberry 125g Jar	Food Drinks	CDC
Drinking Chocolate 225g Jar	Food Drinks	CDC
Drinking Chocolate Coffee Caramel 225g Jar	Food Drinks	CDC
Drinking Chocolate Strawberry 225g Jar	Food Drinks	CDC
Drinking Chocolate 450g Jar	Food Drinks	CDC

Drinking Chocolate Strawberry 450g Jar	Food Drinks	CDC
Drinking Chocolate Coffee Caramel 450g Jar	Food Drinks	CDC
Drinking Chocolate 450g Jar (HD)	Food Drinks	CDC
Chocolate Éclair 25g	Candy	ECLAIRS
Chocolate Eclair 135g	Candy	ECLAIRS
Chocolate Éclair 455g	Candy	ECLAIRS
Halls Mentholypus 20/9's	Candy	HALLS
Halls Cherry 20/9's	Candy	HALLS
Halls Spearmint 20/9's	Candy	HALLS
Vita-C Strawberry 20/9's	Candy	HALLS
Chiclets Fruit 20/12's	Gum	CHICLETS
Chiclets Spearmint 20/12's	Gum	CHICLETS
Chiclets Strawberry 20/12's	Gum	CHICLETS
Chiclets Spearmint 100/1's	Gum	CHICLETS
Chiclets Strawberry 100/1's	Gum	CHICLETS
Dentyne White Peppermint SF 14.5g	Gum	DENTYNE
Dentyne Spearmint SF 14.5g	Gum	DENTYNE
Dentyne Strawberry SF 14.5g	Gum	DENTYNE
Dentyne Blueberry SF 14.5g	Gum	DENTYNE
Dairy Milk 200g x 20	Chocolate	CDM
Top Deck 200g x 20	Chocolate	CDM
Dairy Milk 180g x 20	Chocolate	CDM
Top Deck 180g x 20	Chocolate	CDM
Whole Nut 180g x 20	Chocolate	CDM
Fruit & Nut 180g x 20	Chocolate	CDM
Dairy Milk 100g x 24	Chocolate	CDM
Mint Crisp 100g	Chocolate	CDM
Snack 100g	Chocolate	CDM
Top Deck 100g	Chocolate	CDM
Rum & Raisin 100g	Chocolate	CDM

Dream 100g	Chocolate	CDM
Dairy Milk 90g x 24	Chocolate	CDM
Mint Crisp 90g	Chocolate	CDM
Snack 90g	Chocolate	CDM
Top Deck 90g	Chocolate	CDM
Rum & Raisin 90g	Chocolate	CDM
Dream 90g	Chocolate	CDM
Caramel 100g	Chocolate	CDM
Bournville 90g	Chocolate	CDM
Whole Nut 90g	Chocolate	CDM
Fruit & Nut 90g	Chocolate	CDM
Bournville with Mint 90g	Chocolate	CDM
Cashew & Coconut 90g	Chocolate	CDM
CDM Bubbly 87g	Chocolate	CDM
CDM Bubbly 150g	Chocolate	CDM
Dairy Milk 35g	Chocolate	CDM
Top Deck 35g	Chocolate	CDM
Top Deck Mint 35g	Chocolate	CDM
CDM 45g X12 X12 BS	Chocolate	CDM
CDM Fruit&Nut 45gm12X12 BS	Chocolate	CDM
CDM HN 45g X12 X12 BS	Chocolate	CDM
Dairy Milk Mini 20g	Chocolate	CDM
Dairy Milk Treat size 145g	Chocolate	CDM
Top DeckTreat size 145g	Chocolate	CDM
Dream Treat size 145g	Chocolate	CDM
Mint Choc 24g	Chocolate	MINT CHOC
Fudge 21g	Chocolate	FUDGE
Moro Peanut 46g	Chocolate	MORO
Moro 46g	Chocolate	MORO
Lunch Bar 48g	Chocolate	LUNCH BAR

TUC Flavors Cheese 8 Cookies (8 DC * 12 WR * 32 G)	Snacks	TUC
TUC Flavors Hot & Spicy 8 Cookies (8 DC * 12 WR * 32 G)	Snacks	TUC
TUC Pocket (IPod Salt) 8 Cookies (8 DB * 12 WR * 30.64 G)	Snacks	TUC
Oreo Original 66g	Snacks	OREO
Prince Double Choc 20g	Snacks	OREO
TRDNT 20G FRESH&CLEAN SPEAM 15X16CA	Gum	TRIDENT
TRDNT 20G FRESH&CLEAN EUCA 15X16CA	Gum	TRIDENT
TRDNT 20G TWIST STRAWB 15x16 CA	Gum	TRIDENT
TRDNT 20G TWIST WATME 15x16 CA	Gum	TRIDENT
Dairy Milk Chocolate 13g	Chocolate	CDM

Source: CKL (2013): Sales Forecast September 2012

Appendix 2: Table of Gaps

Study	Topic	Content/Focus	How it Differs from my Case
1	2008: Ngotha Winnie Wanjiku: Competitive strategies employed by John Diversy EA Co. Ltd.	Porter's Generic Strategies employed in the soap and detergents industry	Porters (1985) argue that generic strategies do not lead to above average performance unless it is sustainable in relation to competitors, though actions that improve industry structure may improve industry wide profitability even if they are imitated. The sustainability of the three generic strategies demands that a firm's competitive advantage resists erosion by competitor behavior or industry evolution.
2	2008: Obiero Henry Onyango: Competitive strategies applied by cement manufacturing firms in kenya	Porter's Generic Strategies employed in the cement manufacturing in Kenya	
3	2010: Mwanzumbo Paul Mwasaru: Strategies used by Diversy Eastern Central Africa Limited to create sustainable competitive advantage	The study is based on the fact that Porters (1985) argue that generic strategies do not lead to above average performance unless it is sustainable in relation to competitors. So it focuses on Sustainable competitive advantage in the Soap and Detergents industry in Kenya	For Cadbury Kenya Limited, it has a mix of businesses in the Food and Beverage Industry i.e. 50% local manufacturing and 50% imports distribution, which are a challenge to balance. The past studies pointed out that the local firms apply competitive strategies and experience challenges which are unique and sector specific hence cannot be generalized to fairly represent the other sectors that have not been studied. Further, it is important to know the criteria to use in choosing the suitable products to be manufactured locally and what is to be imported and sold in the country and the region. This is where a strategy that guarantees a sustainable competitive advantage is very important. The uniqueness of this balancing act necessitates a separate study. Due to this competitive pressure, it is possible that Cadbury Kenya Limited has put together a business strategy to ensure growth and sustainability of its business. The researcher finds it important to establish how and what

			strategies have been developed and implemented to ensure sustainability of the business.
4	2011: Ngonga Lucas: Strategic Responses of Nestle Kenya Ltd to the Changing Environment of Food Industry by Kenya	Focuses on specific responses to PESTEL variables.	Does not deal with on Sustainability of the Competitive advantage which is the main focus of the study. A suitable strategy today may not stand the test of time tomorrow – meaning it may not be necessarily suitable tomorrow.

Appendix 3: Introduction Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE... 14th Sept. 2013

TO WHOM IT MAY CONCERN

The bearer of this letter ... Simon M. Mulgat


Registration No. DG.168.171/2011

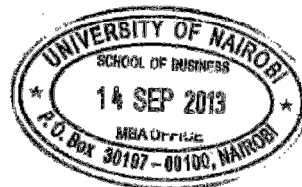
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



Appendix 4: Interview Guide

1. How often is your strategic plan reviewed?
2. At what level of the organization are the strategies reviewed?
3. How have these strategies been employed?
4. What have been the sales trend in the last 5 years?
5. What have been the turnovers for the company for the last 10years?
6. a. To what extent have changes in the political/legal and social factors affected your organization?
b. How has the organization addressed these changes to create a sustainable competitive advantage?
7. a. How have changes in economic factors affected the organization?
b. How has the organization addressed these changes to create sustainable competitive advantage?
8. a. How have technological changes such as obsolescence, innovation and raw materials use regulations and availability affected your organization?
b. How has the organization addressed such technological changes?
9. a. To what extent have ecological changes such as EIA/EAs, air quality regulations, Water quality regulations, Waste management regulations, Controlled substance regulations and noise and excessive vibration regulations affected your organization?
b. How has the organization addressed these to create a sustainable competitive advantage?
10. a. To what extent have the following competitive pressures affected your organization? Threat of entry, threat of substitutes, rivalry from competitors, bargaining power of suppliers and buyers.
b. How has the organization addressed the above to create a sustainable competitive advantage?
11. Has the organization been involved in formulating grand strategies such as value chain analysis, diversification, integration, turn-around, and joint ventures e.g.

through strategic alliance and mergers and acquisition in the last 10years? Please give details

Thank you for your participation.

Appendix 5: Research Project Schedule - 2013

S. No.	Activity	Jan - May	June	July	August	September	October	November	December
1	Registration for Part II								
2	Meetings with your supervisor								
	Title and Chapter 2								
	Chapter 1,3 & Appendices								
	Final Proposal Compilation								
3	Proposal ready for oral presentation: Includes Supervisor signs & Moderator signs								
4	Oral presentation								
5	Corrections (certificate issued)								
6	Fieldwork								
7	Writing the project								
8	Examination by Internal examiner, Internal moderator & External examiner								
9	Corrections								
10	Binding								
11	Certificate of correction: Supervisor signs								
12	Submission to MBA office								
13	Graduation								