

**STRATEGIC RESPONSES BY SASINI COFFEE COMPANY LIMITED TO
ENVIRONMENTAL CHANGES IN KENYA**

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

November 2014

DECLARATION

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

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

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ACKNOWLEDGEMENT

I acknowledge the management and staffs of Sasini Coffee Company limited for the positive responses, my supervisor Professor Evans Aosa for his special guidance, the management of the University of Nairobi, School of Business, my fellow students, my wife and children for their supports towards my project research success

DEDICATION

I have the pleasure to dedicate this work to my wife Tabitha Kaniaru; my daughters Michelleh Kaniaru, Sally Miranda Kaniaru and my son Victor Christopher Kaniaru for their moral support they gave me throughout my study period.

ABBREVIATIONS

CBK- Coffee Board of Kenya

EAFCA- East Africa Fine Coffee Association

FLO- Fairtrade International

ICT- Information Communication Technology

KCTA- Kenya Coffee Producers and Traders Association

KCTA- Kenya Coffee Traders Association

KPCU- Kenya Planters' Co-operative Union

NCE- Nairobi Coffee Exchange

USD- United States Dollar

UTZ- Goods Inside

ABSTRACT

Businesses depend on the scarce resources in their external environment. The scarce resources include as land, labour, capital, information, intellectual property rights, or a specific product or service. The degree of dependence is influenced by the importance of the resource to the organization, the number of potential suppliers and the cost of switching suppliers. Therefore, the firm has ensured that there is a strategic match between the changes in its business environment, strategic responses in place and the firm capacity. It also means that, firms have to build on their existing strength to capture market opportunities and further develop high-value products and services. This study therefore sought to establish the strategic responses adopted by Sasini Limited to its business environmental changes. The study findings are of significance to top managers and business consultants in addressing environmental changes affecting their companies. The findings also provide a basis and guidelines to Government agencies and research organizations for developing and formulating policies. The findings will further provide a baseline to monitor the trends in strategic responses to environmental changes while identifying new challenges and recommendations. This research was conducted through a case study. The study utilized primary data that was obtained from senior managers using an interview guide. The data collected was qualitative in nature, and was analyzed using conceptual content analysis. To conduct the conceptual content analysis, the data collected, was coded, on the theme basis of strategic responses, vision, strategies adopted to respond to the external environment and various organizational responses, levels of competition and implementation in as far as globalization and liberalization of the industry is concerned. The study revealed that Sasini limited is using certification of the commercial coffee mills, adopting coffee value addition through roasting and packaging as well as opening Savanna coffee lounges at the heart of Nairobi city working on the improvement and rebranding of its existing coffee products and services as strategies to respond to the changing business environment. The study recommends that, Sasini Coffee Company limited should pursue to work very closely with outsourced coffee growers and help them farm coffee as a business to realize high coffee production with high quality attributes to easy penetration into specialty coffee world markets. The study having adopted a case study design makes it difficult to generalize the findings to the entire coffee sector. The study only allowed for in-depth study of Sasini Limited and can only be inferred to other organizations with caution. This study was also limited by time. The study had to be done within a limited time span and thus meant that intense exposure to the subject variables may have been constrained. The study was further limited by the fact that the researcher only interviewed senior managers of Sasini coffee company. The study used a sample size of seven respondents' and thus the study suggests that for other studies dealing with the same, a larger sample size should be used. To this end, therefore the same study should be carried out in other coffee commercial milling and marketing firms to find out if the same results would be obtained.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENT	iii
DEDICATION.....	iv
ABBREVIATIONS.....	v
ABSTRACT.....	vi
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Environment Dependence	2
1.1.2 Strategic Responses	3
1.1.3 Coffee Industry in Kenya	4
1.1.4 Sasini Coffee Company Limited	4
1.2 Research Problem.....	5
1.3 Objectives of the Study.....	7
1.4 Value of the Study.....	8
CHAPTER TWO: LITERATURE REVIEW	9
2.1 Introduction.....	9
2.2 Theoretical foundation.....	9
2.3 Concept of Strategy	12
2.4 Organizations and the Environment	14
2.5 Strategic Responses.....	16
CHAPTER THREE: RESEARCH METHODOLOGY	22
3.1 Introduction.....	22
3.2 Research Design.....	22

3.3	Data Collection	22
3.4	Data Analysis	23
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION.....		24
4.1	Introduction.....	24
4.2	The Respondent’s Profiles	24
4.3	Environmental Changes affecting Sasini Coffee Company’s operations	24
4.4	Strategic Responses to Changes in Sasini’s Business Environment	30
4.5	Discussion	36
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS		39
5.1	Introduction.....	39
5.2	Summary	39
5.3	Conclusion	40
5.4	Recommendations	40
5.5	Limitations of the study	41
5.6	Suggestion for Further research	40
REFERENCES.....		43

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Companies' responds to environmental factors and some of the environmental influences to a business arises from competition, technological change, political changes, socio-economic and markets dynamics. They have to respond strategically to environmental changes factors in order to be sustainable (Johnson & Scholes, 2008). Increased environmental changes threaten the attractiveness of an industry and reduce the profitability of the players (Hamel and Prahalad, 1993). It exerts pressure on firms to be proactive and to formulate successful strategic responses that facilitate proactive responses to anticipated and actual changes in the environment.

Firms therefore, focus on adopting strategic responses to environmental changes to enable them respond to, and achieve sustainable business growth and development. By identifying their core strengths, available and potential opportunities, firms are able to position themselves to overcome challenges from environmental changes (Grant, 2008). According to Johnson and Scholes (2005), core strengths are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.

In the context of strategic responses to the environmental changes, Porter (2004, 2008) argues that, Organizations' sustainable business growth and developments success's driving forces are innovation, services and products diversification in an alignment with Company vision, mission and overall strategy. These organizations' environmental changes result from market dynamics, social-economic, political and legal frame-works, technological innovation and consumers' behaviors, upon which, if their respective strategic responses are not addressed timely and in the right way would results to business gaps. Therefore, organization should focus strategically on it's strengthens to exploits the opportunities arising from the environmental changes. In this context, Sasini Coffee Company Limited has been a victim of the circumstance after the liberalization of coffee trade globally.

1.1.1 Environment Dependence

Environment dependence refers to a situation where the business relies on the conditions, or surrounding for survival from effect of environment changes experienced during its day-to-day activities and operations (Kotter, 2002). The business paradigm understands the environment changes not in terms of a physical entity but rather, on such factors as the behavior of the market dynamics, the country and or international social-economics, the legal frame work, technological innovation, competitor activity and consumer behavior. The above factors attributed from the environment dependence would negatively affect organization in terms of market shares, profitability, growth and customer loyalty. Therefore, success of business growth and development largely depends on such strategic response policies, which can successfully adapt to the changing internal and external environments (Barker, 1992).

Thus, concept of strategic responses to environmental changes consists of all those moves and approaches that a firm has and is taking to attain sustainable business, withstand environmental changes pressure and improve its market position (Thompson & Strickland, 2003). These strategic responses to environmental changes addresses what a firm is doing in order to gain a sustainable business growth and development. Porter (2004) outlines the three strategic responses approaches to sustainable business growth and development, being striving to be the overall low cost producer, i.e. low cost leadership strategy, secondly seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy and lastly focus on a narrow portion of the market, i.e. focus or niche strategy

It requires acquiring a proactive mindset that concentrates on where the firm is now, where the firm wants to go and how to get there. This involves carefully defining what business positions to stake out, financial and strategic outcomes to achieve.

1.1.2 Strategic Responses

Porter (2008) argues that strategic response is about positioning a company in its industry in order to gain sustainable growth and development over and above its business competitors. According to Johnson and Scholes (2005), a firm must ensure there is a strategic match between the changes in its business environment, the strategic responses in place and the firm capacity. In order to grasp the opportunities resulting from the changing environment, businesses need to build on their existing strength to capture future market opportunities and further develop high-value products and services.

A business could strategically respond to an increase in environment changes (for instance, a launch of rival product) by cutting prices (but can reduce profits), improving quality (but increases costs), spend more on promotion (such as do more advertising, increase brand loyalty; but costs money), and cutting costs (Porter, 2004), for instance use cheaper materials. Some may opt to product improvement, divestiture, diversification, entry into new markets or even merging or buying out competitors (May et al., 2000). A company is strategically positioned whenever it successfully adopts strategic responses to challenges from environmental changes (Thompson and Strickland, 2002). Sources of successful strategic responses include high quality products, superior customer service and achieving lower costs than its rivals (Montgomery and Porter, 1991).

Therefore, strategic responses to environmental changes facilitate a process of stakeholder dialogues on key sustainable development issues and processes (that work) for sustainable business growth and development for their firm. Strategic responses to environmental changes are then adapted as a tool to develop capacities to analyze, debate and acts strategically for making the business transition to sustainable growth and development venture. Strategic responses to environmental changes, therefore, help in shaping the business economy of tomorrow making it stronger, driven by innovation, diversification, trade and investment for sustainable growth, development and profitability (Allen, 2004).

1.1.3 Coffee Industry in Kenya

There are a number of accounts of the first introduction of coffee to the East Africa protectorate. Currently, the Kenya coffee industry is noted for its cooperative system of wet processing, milling, marketing and auction coffee sales. Small-scale holders produce about 70% and large estate 30% of Kenyan coffee respectively. Kenyan coffee is mild Arabica type and known for its intense flavor, full body and pleasant aroma.

Up to the year 2001, Coffee Board of Kenya was the only sole coffee Marketer on behalf of the cooperative societies and large scale coffee growers. However, as result of the 1990's global coffee markets' liberalization, the government in the year 2002, through the parliament, passed the coffee Act 2001 and made the CBK as the coffee market regulator in the country. Therefore, licensing the Kenya Coffee Planters Union limited (KPCU), Thika coffee mill and Socifinaf as the coffee millers and marketing agents and the Sasini Tea & Coffee Limited registered its coffee milling plant and marketing agency to participate at the Nairobi Coffee Exchange (NCE) in the year 2007. The Coffee Act 2001 authorized the second window for direct coffee markets, where the marketing agents, cooperative societies, coffee dealers and exporters, single farmers and coffee estates growers, were allowed to market and sell their coffee directly to the roasting companies and end users in the global markets. The coffee cluster has been an important part of Kenyan economy since the early 1900s. However, performance has been on decline especially in coffee exports, coffee quality and yields. However, three focus areas emerges as key in improving business growth and sustainability through, creating a differentiated strategic responses for Kenyan coffee, improving the functioning of the value chain and addressing the disruptions created by liberalization.

1.1.4 Sasini Coffee Company Limited

Sasini Coffee Limited was established in the year 1952 during the Kenya colony, when it was originally incorporated as Doondu estate limited, with one coffee farm in Kiambu. The core functions' of Sasini Coffee company Limited is managing coffee plantations, coffee wet processing from their estates, coffee dry milling from their estates and that

contracted from small scale coffee cooperative societies, small and medium coffee farmers, trading milled and graded green coffee beans at Nairobi coffee exchange auction and direct export marketing through its marketing Agency called Aristocrat. Coffee value addition through roasting and packaging where 90% is sold through external export markets, the remaining 10% is distributed and sold through the supermarkets, wholesales, restaurants, retail shops. Sasini Coffee Company limited since year 2008 has established coffee shops branded savannah Coffee in prime areas of Nairobi where they sell brewed coffee. As a coffee marketing agent in green coffee Sasini Coffee Company limited is a member of the Kenya Coffee Traders Association (KCTA).

Enactment of Coffee Act 2001 exposed the Sasini Coffee Company Limited to more challenges, with local and Mult-National new entrants as key players in Kenyan coffee industry. From year 2006, more coffee millers' and marketing agents were registered and licensed to trade hence, bringing in more challenges and competition in the coffee industry. Because of these new challenges emanating from changes in legal frame works and government policies, Sasini Coffee Company Limited had to undertake some strategic responses to counteract the emerging environmental changes in order to remain focused and sustainable in the liberalized global coffee business.

1.2 Research Problem

Businesses depend on the scarce resources in their external environment. The scarce resources include land, labour, capital, information, intellectual property rights, or a specific product or service. The degree of dependence is influenced by the importance of the resource to the organization, the number of potential suppliers and the cost of switching suppliers. Therefore, the firm has to ensure that there is a strategic match between the changes in its business environment, strategic responses in place and the firm capacity. It also means that, firms have to build on their existing strength to capture market opportunities and further develop high-value products and services. No longer can any enterprise depend on historical or projected trends on its business environment changes without adapting to strategic response policies that guides on observing, analyzing and evaluating environment changes. In a discontinuous and surprise

environmental changes, business management processes should be flexible, dynamic and entrepreneurial, to allow timely strategic responses to issues on business environment changes. Otherwise, the organization's sustainable business growth and development may not be realized, in turbulence changing environments.

The deregulation in the Coffee Sector through the Enactment of Coffee Act 2001 exposed the Sasini Coffee Company Limited to more challenges, with local and Mult-National new entrants as key players in Kenyan coffee industry. This has increased levels of competition calling for the need to strategize in order to outsmart each other in what was a highly protected sector. This increase in competition has made demands on Sasini Limited to manage its strategic positioning. The company's strategic responses to environmental changes, consists of all those approaches that a firm has, and is taking to innovate, diversify and satisfy its existing and potential customers. These environmental changes result from market dynamism, social-economics, political-legal framework, technological innovation, competitor activities and consumer behaviors. These changes will have negative impacts to Sasini Coffee Company limited on its business growth and sustainability. If the right strategic responses are not strategically implemented, the resulting gaps become an issue to business sustainability.

There has been interest among researchers on the subject of responses by organizations to relevant environmental changes. A number of academicians have carried out such studies. Bett (1995) found that, as a result of the on-going economic reforms in Kenya, firms in the dairy industry have made substantial adjustments to their strategies. The variables targeted for adaptation included branding, pricing, and value propositions. Kombo (1997) note that, the firms in the motor vehicle industry, in the light of the changing competitive situation were constantly adapting their strategies to fit with the environmental shifts. The strategic responses were mainly based on new technologies, product differentiation, and the marketing mix elements. Njau (2000) established that East African Breweries Limited undertook substantial adjustments in various strategic response variables in order to fight off competition. The adaptations included the

manipulation of the marketing mix elements, cost efficiency control measures and the setting up of foreign market distribution centers. Ligondo (2012) in a study on strategic response by Private Hospitals in Nairobi to changes in external environment, found that, the hospitals strategically responded by adopting collaboration and strategic alliances with other hospitals and introduced new products and services. Kandie (2001) undertook a study on the strategic responses to competition by Telecom Kenya that was previously a monopoly in the telecommunications industry. The researcher found out that the organization has made some strategic adaptations in its products, markets, and technology as well as making strategic alliances in response to the drastic competitive changes in the country's telecommunications industry. Goro (2003) in a study on the strategic responses of commercial banks to the threat of substitute products found out that commercial banks employ more of market strategies such as advertising and quality to maintain their market share. Mugenda (2003) on the other hand found out that Kenya Broadcasting Corporation strategically responded to changed environment by improving the quality of its programs as well as venturing on an expansion strategy to reach a wider coverage.

The above-discussed studies on strategic responses to changes in the business environment have focused on many other sectors including Banking, Telecommunications, Hospitals and Motor vehicle industry. None of these studies have focused on the coffee sector, one of the key sectors in the Kenyan economy. This study was therefore guided by the study question; what are the strategic responses adopted by Sasini Coffee Company Limited against the environment changes challenging its business sustainability, growth and development?

1.3 Objectives of the Study

The study objective is to establish the strategic responses adopted by Sasini Coffee Company Limited to its business environmental changes.

1.4 Value of the Study

The research study findings will be invaluable to contribute for better understanding in adoption and implementations of strategic responses in similar organizations by the top managers and senior business consultants when addressing issues relating to environmental changes affecting their companies. The study findings will too be of essence to use as a monitoring and evaluating tool to gauge company performance. The finding analysis will of great help to the inexperienced management staffs as a reference to understand better issues to do with strategic responses to environmental changes.

The study findings will further provide a basis on guidelines to the Government agencies and research organizations while developing and formulating policies. This will be of great help to government agencies while addressing trade policies in coffee sector bearing in mind that coffee was once first foreign exchange earner and due to environmental changes it has dropped to fourth position. The same findings analysis will provide a reference guideline while developing policies of similar related sectors in agriculture main stream.

Findings of this study will form a basis for further research in this area among academics. The study findings will also be used as a reference for training in high learning institutions.

Lastly, the study will form a reference in the field of strategic management within its core concepts of strategic responses to environmental changes. The findings will provide a baseline to monitor the trends in strategic responses to environmental changes while identifying new challenges and recommended actions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents information of the theoretical foundation capturing the management theory and contingency theory, which suggests that that management principles and practices are dependent on situational appropriateness. The section further explores the concept of strategy, organizations and the environment, strategic responses

2.2 Theoretical foundation

2.2.1 Criteria in Management

Criteria in management stress the changing nature of the external environment and the need to understand and address these external forces for change. The contribution and role of systems theory and contingency theory to the emergency management process is stressed. Criteria in management stress the need for effective planning to ensure that organizational goals are obtained. The criteria in management has grown over the past one-hundred years evolving from the time and motion studies of engineers to contributions from social scientists, the Hawthorne studies and a behavioral approach to more quantitative approaches that look for the “best” or optimum functioning of an organization or “total quality management (TQM)” (Mohanta, 2010).

The contribution of organizational culture theory and the impact of environmental constraints is an important part of the growth of criteria in management over the past fifty years (Kotter 1992, Schien 1985). Finally, management has stressed the need to be aware of managing in a global environment (Adler 2008). Today, we see emergency management emerging from a local approach to one that examines on a regional basis and with the notion of national and international linkages

2.2.2 Contingency Theory

The theory suggests that that management principles and practices are dependent on situational appropriateness. Luthans (1976) notes that “The traditional approaches to management were not necessarily wrong, but today they are no longer adequate. The needed breakthrough for management theory and practice can be found in a contingency approach.” Different situations are unique and require a managerial response that is based on specific considerations and variables. The appropriate use of a management concept or theory is thus contingent or dependent on a set of variables that allow the user to fit the theory to the situation and particular problems. It also allows for management theory to be applied to an intercultural context where customs and culture must be taken into consideration (Shetty 1974). Adapting theory to the context is extremely important to a new homeland security international context.

For management and emergency management alike, the successful application of any theory or concept is greatly influenced by the situation. For example, a functional organization structure with many layers of management functions best in stable environmental conditions and routine operations. For emergency management, the operating environment is ever changing and must be flexible to accommodate the many different hazards that a community or business faces. Emergency managers must build an organizational culture and structure that improvises and acknowledges that each disaster is unique. As a result, a more dynamic organizational structure could be structured based on the nature of the problem (hazard) and who needs to be involved and the actions taken (Kreps 1991). Utilizing an organizational design that is rigidly structured regardless of the situation might not provide the appropriate basis for quick and comprehensive decision making in changing business environment

2.2.3 Environment Dependence

Environment dependence by organizations is a set of forces surrounding the organization and that they have the potential to affect the way the organization operates and its access

to its resources. The environment consists of specific and generic forces, where the specific forces directly affect the organization's ability to obtain resources and the generic forces shape the specific environment and affect the ability of all organizations in a particular environment to obtain scarce resources (Porter 2008).

External control of organizations explores how external constraints affect organizations and provides insights for designing and managing organizations to mitigate these constraints. All organizations are dependent on the environment for their survival. "It is the fact of the organization's dependence on the environment that makes the external constraints and control of organizational behavior both positive and almost inevitable". Organizations can try either to change their environments through political means or form inter-organizational relationships to control or absorb uncertainty (Pfeffer and Gerald R. Salancik, 2003).

2.2.4 Strategic Groups Theory

"A strategic group is the group of firms in an industry following the same or similar strategic responses to environment changes along the strategic dimensions" (Porter, 2004). Porter (2004) argues that there are, indirect effects that lead to different strategic responses to environment changes between firms, notably the existence of market entry barriers. A further definition describes a strategic groups as "a set of firms competing within an industry on the basis of similar combinations of scope and resource commitments" (Cool and Schendel, 2008). The implication is that firms in a strategic groups compete adopting similar strategic responses and resources, leading to intra-industry segmentation.

According to Porter (2008), the idea of groups of firms, acting along similar strategic responses dimensions within industries brought together the ideas of industrial organization, with a primary focus on the industry, with those of strategic responses to environment changes focused on the individual firm. In terms of analysis, the strategic

groups can be viewed as a middle ground between the industry and the firm (Porter, 2008, Oster, 1994). Thus, the idea of strategic groups enriched the industrial organization perspective and provided a convenient taxonomy for strategic responses in environment changes researchers to compare and contrast groups of firms.

Most of the strategic responses to environment changes research has focused on one industry, with the twin aims of explaining firm performance and performance differences between strategic groups, usually in the context of a domestic market. A point of agreement between the majority of strategic responses to environment changes and industrial organization theorists, however, has been that persistent performance differences exist between strategic groups (Porter 2008).

2.3 Concept of Strategy

According to Porter (2008), strategy is about competition and the means by which an organization tries to gain sustainable and successful business growth. He has described a category scheme consisting of two general types of strategies commonly used by businesses, which are strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market targeted. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. In addition, he identified two competencies that he felt were most important: product differentiation and product cost (efficiency). Porter (2004, 2008) simplifies the scheme to the three best strategies: cost leadership, differentiation, and market segmentation (or focus). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope.

The four possible corporate strategies are market penetration, product development, market development and diversification as strategies that managers could consider as ways to grow the business via existing and/or new products, in existing and/or new markets. However, he points out that a diversification strategy stands apart from the other three strategies. The first three strategies are usually pursued with the same technical,

financial, and merchandising resources used for the original product line, whereas diversification usually requires a company to acquire new skills, new techniques and new facilities. Therefore, diversification is meant to be the riskiest of the four strategies to pursue for a firm. According to him, diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit (Ansoff, 1980).

Strategic responses to environmental change are a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategic responses processes. Without analysis, the process of strategic responses to environmental changes formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads, and to wishful thinking (Henry, 2008).

Equally important, a strategic response to environmental change serves as a vehicle for achieving consistent decision making across different departments and individuals. Hamel and Prahalad (1989) views organizations as composed of many individuals all of whom are engaged in making strategic response decisions that must be coordinated. For strategic response to provide such coordination requires that the strategic response to environmental change adopted acts as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic response planning processes of large companies. The shift of responsibility of strategic responses planning from corporate planning departments to line managers are part of this increased emphasis on strategic

responses to environmental changes planning as a process for achieving coordination and consensus within companies (Buzzell and Gale, 1989).

Hamel and Prahalad (1989) argue that a critical ingredient in the strategies of outstandingly successful companies is what they term “strategic response intent” an obsession with achieving leadership within the field of endeavor. Strategic response to environmental change process in facilitating communication and coordination must recognize the importance of intuition, tacit knowledge, and learning-by-doing in complementing more “scientific” analysis. However Unlike mathematics, chemistry, or even economics, strategic response to environmental change management lacks an agreed-upon, internally consistent, empirically validated body of theory. Though it employs theory and theoretical concepts, these are drawn mainly from economics, psychology, ecology and sociology principally on an ad hoc basis (Buzzell & Gale, 1987).

2.4 Organizations and the Environment

The business environment is very dynamic and keeps on presenting both opportunities and challenges to the organizations that operates in it. Factors that influence changes in business environments include the government, social-economic dynamics, technological changes and globalization. Organizations must survive by analyzing the environmental dynamics, identify the opportunities and strategically respond in a way that seizes these opportunities to ensure business survival and growth.

The organizations’ strategic responses to external environment, has been found to influence modern competitiveness of its operations within the turbulent environmental changes; the organization can influence and be influenced by the determinants of competitiveness in the business environmental changes. The four determinants are; firms strategic response structure and rivalry; factor conditions; demand conditions and related and supporting industries. Factor conditions are affected through subsidies, policies towards capital markets, policies towards education, etc. (Porter, 2008). The determinants measure the extent to which the national environment is a fertile one for competing in an

industry. In most cases the government environments keeps on shifting resulting in to a highly unpredictable environment (Steiner, 1997). On the other hand, Social and political stability of a country has a very significant role in influencing the industrialization process. Globalization has created a new situation where new kinds of jobs are becoming available; new industries are created; production, consumer and trade is changing; markets are unsettled; and economic policies are shifting in any business environment creating all kinds of opportunities for organizations to take advantage of changing environment (Hickman, 1992).

The company's corporate strategy in responding to environment changes should help in the process of establishing a distinctive competence and sustainable growth at the business level. There is a very important link between corporate-level and business level. According to Johnson and Scholes (2005), corporate level strategic responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization. At a general strategic response level Ansoff and Mc Donnell (1990) suggests three reasons why firms diversify. The objectives can not be achieved by continuing to operate in their existing market.

According to Hill and Jones (1999), they argue that focus strategy concentrates on serving particular market niche, which can be defined geographically, type of customer or by segment of the product line. It differs from the first two because it is directed towards serving the needs of a limited customer group or a segment. Hence, the company is specialized in some way. A focus strategy on strategic response to environmental change provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovate product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises, which tend to be larger. It differs from corporate strategy in

that whereas corporate strategic response to environmental change involves decisions about the entire organization, strategic response to environmental change, decision under the business units are basically concerned with how customers' or clients' needs can best be met. According to Johnson and Scholes (2005), "Business unit strategy, for strategic responses to environmental changes, is about how to compete successfully in particular markets".

According to Johnson and Scholes (2005), strategic responses to environmental change are concerned with how parts of an organization deliver effectively the corporate and business level strategic responses in terms of resources, process and people. Companies adopt strategic responses to environmental change, directed at improving the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. Even though strategic responses to environmental changes may be focused on a given function, as often as not, they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

2.5 Strategic Responses

Strategy can be defined as the establishment of the long-term goals and objectives of an organization, including the taking of actions and allocation of resources for achieving these goals (Chandler, 1962). Due to the scarcity of resources, the strategy that is chosen should be one that optimizes these resources in the pursuit of the organizational goals and objectives. According to Andrews (1971), strategy is a pattern of objectives, purposes, or goals and the major policies and plans for achieving these goals stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be". Strategy, therefore, not only focuses on the goals and objectives of organizations and the means of achieving them, but also gives an indication of the nature of the company and its business, both in the present and in the long-run.

Thompson (2007), defines strategic adaptations as changes that take place over time to the strategies and objectives of an organization. Such change can be gradual or evolutionary, or more dramatic, even revolutionary. Such responses may take many forms depending on the organization's capability and the environment in which it operates. Well-developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. These strategic responses include restructuring, marketing, information technology, and culture change (Ansoff and McDonnell 1990).

Strategic responses to business environmental changes involve setting goals and deciding how best to achieve the adapted strategic responses. Therefore, setting goals, developing and implementing strategic responses to business environmental changes helps the organization to move in a focused direction while operating in an efficient and effective manner. Micheal and Wiersem (1993), describe operational excellence, product leadership and customer intimacy as important strategic responses to environmental changes that can create customer value and provide a sustainable business growth and development. The traditional process models of strategic responses to environmental changes involves planning organizational missions; assessing relationships between the organization and its changing environment; and identifying, evaluating and implementing strategic response alternatives to environmental changes that enables the organization to fulfill its mission.

Thus, a key premises of strategic response to environmental changes, is that actions, that must be taken based on what has happened, is happening and will happen in the world outside the organization with a focus on the threats and opportunities, these external environmental changes present to the organization. The most important factor determining stable growth, development and profitability of the organization is the extent to which they match their strategic responses and capabilities to the changes in the environment they operates. Hrebiniak and Joyce (1985), argues that changing environment can pose constraints as well as create opportunities for organizations. Meyer

(1982) found that, sudden environmental changes can have both detrimental but also positives effects on an organization.

Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Strategic response to environmental changes answers the fundamental questions of ‘where do we want to go? ; Where are we now? ; and how do we get there?’. Three areas of a company strategy, that are important in identifying the strategic responses of a firm to its environment challenges include; objectives setting, which involve long term and short term goals; the vision and mission of the company; Strategic directions which involve what business activities should the company concentrate in and where. Competitive strategy where after considerations of the firm’s competitive strengths and weaknesses vis-a-vis competition and customer needs, the company establishes a strong focus for a sustainable business growth and development (Lowes, 1994).

After an analysis of the changes in the environment, the firm may choose any of the generic competitive strategies in response to opportunities. Cost Leadership can be achieved through efficiencies, cost reductions, overhead reductions etc. Differentiation may take the form of design or brand image, technology, quality, durability, after sale services, Distribution and market mix etc. Focus involves focusing on a particular buyer, segment, or geographic markets. A firm failing to develop its environmental changes strategies, in any of the three directions is ‘stuck in the middle’ and suffers from lack of focus, low motivation, blurred corporate culture and conflicting set of organization arrangements (Porter, 2004, 2008). The strategic directions a firm may choose may include Market penetration strategy, Market development strategy, Product development strategy or diversification strategy. This could also be described as Horizontal growth, Vertical growth, Conglomerate growth or internationalization (Ansoff, 1990). In deciding on which direction to grow the firm must also determine to what extent it must expand externally and internally. Internal growth involves expanding a firm’s internal capabilities such as production, distribution and marketing facilities. External growth

may include mergers and take-over. While a firm may seek to expand its business in one of the various ways it may also choose to rationalize and restructure (Ansoff, 1990).

Ansoff and McDonnell (1990), see strategic response to environmental change as a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises. Hamamel and Prahalad (1989), perceived an organization as a foundation for sustained business growth when it poses skills or resources that provide superior value to customers and that are difficult to imitate. In a turbulent environment, the more enduring advantage is ability to anticipate evolving customer needs and to generate new values creating capabilities based on that knowledge. And unless there is an advantage over competitors that is not easily duplicated or connected, long term profitability is likely to be elusive

Aosa (1992), noted that the action of competitors have a direct impact on a firm's strategy. He further stated that, strategic response will only make sense if the markets to which it relates are known; and pointed out that the nature of the industry in which the company operates needs to be understood. The structure of an industry and trend in that industry will help the current and future attractiveness of that industry.

In the 1990's, many companies acknowledged the critical importance of being customer oriented, customers pay attention to after sales services, and responsiveness of employers (Kotler, 1997). Hamamel and Prahalad (1989), noted that restructuring and re-engineering "while both are legitimate and important tasks, they have more to do with sharing today's business than with building tomorrow's industry". According to Aarker (1989), long - term success involves creating, managing and exploiting assets and skills that competitors find difficult to match or counter. This involves three steps:

Identifying relevant skills and assets by observing successful and unsuccessful firms, key customer motivations, large value added items, and mobility barriers, selecting those skills and assets that will provide an advantage over competitors, will be relevant and

appropriate for the future, and will be feasible, sustainable and appropriate for the future, and develop and maintain those of competitors. He further observed that there are three basic ways to compete, namely, on the basis of delivery, quality and price.

Ansoff and McDonnell (1990), noted that strategic responses involve changes in the firm's strategic behaviors 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 objectives. Therefore it is a reaction to what is happening in the economic environment of organizations. Porter (2008), views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy

Pearce and Robinson (2007), say that there is need to adopt new strategic responses that match the challenges from the environmental changes. Reengineering, downsizing, self-management and outsourcing are some of the dominant strategic responses that have been used for restructuring in the 1990's. Ansoff and McDonnell (1990), asserts that the management system used by a firm is a determining component of the firm's strategic responsiveness to environment changes because it determines the way that management perceives the environment, diagnosis their impact on the firm, decides what to do and implements the decisions.

Burnes (2005) argues that, the concern in real time strategic responses is to minimize the sum to total losses and restore profitability to ensure organization's success in a turbulent and surprising environment. He also observed that unstable and unpredictable conditions in which organizations have to operate today means that the ability to think strategically and manage strategic environmental change successfully is key competitive strength for a sustainable business growth and development. Real time strategic responses to environmental change issues are necessary to facilitate the firm's preparedness in handling the impending issue, which may have profound impact on the firm.

Global trends have had adverse effect on many sectors, the insurance sector included. Every organization has to develop strategic responses that will enable it fit within the changing environment it operates in. This is necessary because the environment is dynamic, multi-faceted and complex; as a result of which organizations have to plan how to respond to the challenges emanating from environmental change it operates in. An organization can either plan on how to cope with the many environmental changes brought about by the environment or handle them as they emerge.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details how the proposed study was carried out. It covers the design to be adopted to conduct the study, how data was collected and eventual analysis of the data in order to generate research findings for reporting.

3.2 Research Design

This research was conducted through a case study. The case study was chosen since it enables the researcher to have an in-depth understanding of the environmental changes behavior pattern affecting Sasini coffee company business. A case study design is most appropriate where a detailed analysis of a single unit of study is desired as it provides focused and detailed insight to phenomenon that may otherwise be unclear.

In this regard the importance of a case study is emphasized by Young (1960) and Kothari (2014), who both acknowledge that, a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of the type of unit under study. This method is considered to drills down, rather than cast wide. The interview guide used entailed the various aspects of study, which included the objective, mission, vision of the organization, the challenges (both internal and external), customer care, organizational structure and strategic management among other issues that could appear relevant to the study.

3.3 Data Collection

The study made use of both primary and secondary data .The primary data was obtained from the senior managers of Sasini coffee company using an interview guide. The interview guide (Appendix II) was used to solicit data on factors contributing from environmental changes affecting the company's business environment and the strategic responses measures adopted thereto. The senior managers selected as the respondents of the study heads the company departments which are finance and administration,

information communication technology, milling and production, marketing, quality assurance and trading, training and field services, sales and value additions respectively. The chosen respondents are holding key departmental positions and therefore they are the ones who spear are heading the company through the implementation of the adopted strategic responses to the environmental changes while environmental changes continued for the last five years.

The method used to collect data was through personal interviews where an interview guide with open-ended questions was used. This enabled oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data. This involved in-depth discussion through individual meetings with the senior managers of the firm in question, and the data was analyzed using conceptual text analysis method. Copper and Schindler (2008) emphasize the value of personal interview when they stated that it enables in depth and detailed information to be obtained.

3.4 Data Analysis

The process of data analysis involved involves several stages. Completed interview guides were edited for completeness and consistency. The data collected which is qualitative in nature, was analyzed using conceptual content analysis.

According to Mugenda and Mugenda (2003), the main purpose of the content analysis is to study existing information in order to determine factors that explain a specific phenomenon. To conduct the conceptual content analysis, the data collected, was coded, on the theme basis of strategic responses, vision, strategies adopted to respond to the external environment and various organizational responses, levels of competition and implementation in as far as globalization and liberalization of the coffee industry is concerned.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter will cover data analysis and findings of the research. Content analysis was used, as an interview schedule was the tool for data collection. The collected data has been analyzed interpreted in line with the aims of the study namely, to document the strategic responses of Sasini limited to changes in its business environment

4.2 The Respondent's Profiles

The study was carried out in Nairobi where the headquarters of Sasini Coffee Company Limited are located and the target respondents especially the top management is based. The people who were interviewed were seven senior managers. All of them had some sound experience in the Sector of more than 10 years. Others had less than five years experience as they had come in from within and without the coffee sector.

Thus, their contributions to the strategic responses of Sasini to the changing Business Environment are drawn from an abroad reservoir of experiences and knowledge. These were indeed the people who were involved in formulation of strategic responses that were being studied. The same groups of people are the ones who re actually involved in the monitoring and implementation process.

4.3 Environmental Changes affecting Sasini Coffee Company Limited operations

4.3.1 Technology

The dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive. The Information Communication and technology manager indicated that the world today is global village and old methods of

production, communication, marketing, advertising and sales promotions are obsolete thus very costly to sustain business growth and development in this competitive coffee industry. Coffee production, processing and marketing has turned to be labour intensive and thus prompted employment of the modern technology to optimize costs with acceptable turn around at the same time meeting customer needs and preferences. Use of paper work in coffee production, processing, marketing and advertising, trading and sales transaction has become obsolete and systems process are automated and staffs logged into technology i.e internet and teleconferencing thus there need to invest more in the technological and ensuring the right technology has been put into place and staffs training to ensure operations efficiency.

The head of ICT department indicated that ensuring that all systems keep the company operations in smooth running, quality and modern systems are installed and routinely inspected to ensure they fulfill all the governing rules & regulations and standards.

The finance department indicated that with the changing technological trends in the coffee industry, there is need to allocate adequate funds towards training employees to keep abreast with new and emerging technologies to facilitate them market the company products and services. This also ensure the company keeps up to date with the changing technological trends to give the best services to customers and optimize production, processes, marketing and sales costs.

The marketing manager indicated that due to technological advancements worldwide the company must be up to date, since coffee trading and sales are done through media facilities such as the internet and teleconferencing and this requires investing in training the marketing and sales teams. Sales strategies have to be flexible to include change in methods of advertising, promotions and sales, for instance the emergence of E-commerce.

4.3.2 Legal/Regulatory Factors

It was determined that there are various statutory regulations and guidelines both local (Government) and international with regards to coffee industry that need to be considered

in order to be compliant during launching and implementation of the strategic responses to the environmental changes to succeed in the company business. These are the things to do with the requirements from the market regulator Coffee Board of Kenya as per the coffee Act 2001 in regards to company incorporation, milling, marketing and value addition annual licensing and international trading and shipping contracting. Bridging of any above requirements would be very costly to the organization in terms of losing businesses and customers, litigations costs, poor company image and cancellation of licenses and trading contracts.

The finance manager indicated that all financial decision especially those concerned with financial management and disbursement of coffee proceeds to growers, complied with that of the coffee trading rules and financial governing bodies to encourage transparency and avoid litigations. Finance and administration manager indicated that the company was committed to build good relationships with key stakeholders including governments, media, customers, and partners and ensuring that the company observes legal and statutory laws and regulations.

4.3.3 Competition in the Industry

They are five major forces that influence the competitive situation in any industry. They include: barriers to entry, rivalry in the industry, threat of substitutes, power of buyers, and power of suppliers (Porter, 2004, 2008). It was established that as a result of liberalization of the coffee industry, the business has resulted into stiff competition among the existing and the new business entrants along the coffee value chain.

The field services manager indicated that, due to high inflations, the farming inputs prices has continued to skyrocket to a level farmers could not afford to procure. As a result of inadequacy of farm inputs supply, the field service manager also indicated that coffee production has remained low and scarce to sustain all operating coffee mills and marketing agencies players in the coffee industry. This has lead to the need for the Sasini Coffee Company to advance contracted farmers with farm inputs at reduced interest rates

that are deducted from their coffee sales proceeds at end of the crop season. At the same time, the company has employed coffee quality and agronomy expertise to advice farmers on good agronomic practices and processing practices in order to produce high coffee volumes and premium quality coffee. All these intervention has somehow made the company operation costs and overall budget to be on the higher side.

The marketing manager indicated that, increased competition led to increased platforms of advertisements from social media to electronic billboards, and all other forms of advertising like publicity and awareness campaigns, which has made the business to be more expensive. New entrants from the multinational players has made the business competition more complicated since unlike Sasini coffee Company they also outsource cheap coffee from other producing countries in the world which supplement and stabilize their budget to earn reasonable profit.

The company finance and administration manager indicated that with constant emerging competition, the company must have sufficient funds to ensure sustainable business growth and development without undermining the required coffee industry standards practices.

4.3.4 Customer Needs and Preferences

It was determined that the core activity of the company was to provide commercial coffee milling and marketing services which is not reliable enough to sustain the company to growth and development and hence the need to develop new products to be more attractive to customer needs and preferences. In order for the company to attain sustainable business growth and development through growing revenue, the production manager indicated that the company saw the need to expand the milling plant to provide timely milling services and just-in-time delivery of green coffee into the local and international markets.

Due to increasing demand of certified coffee in the international markets, the quality and trading manager indicated that they embraced it as an opportunity for a niche market to expand company revenue and avoid business loss when conventional market shift to certified coffee. Sales and marketing managers indicated that, there is emerging internal market both in social places and in households for value added coffee blends that would suit customers' disposable income. It was noted that there was need for the provision of funds to develop brands of value added coffee blends to increase the range of products to the customers and avoid losing them to the competition and substitute products.

It was established that the company needed to ensure that the raw coffee products suppliers and consumers' of finished coffee products contented according to their varying needs and there is internal consistency to provide this level of customer satisfaction. The training manager together with sales, field services and marketing managers indicated that they were together training their team forces with proper skills to support them understand and appreciate the needs and preferences of their respective customers for purpose of satisfaction and business retention.

4.3.5 Labour Market Conditions

It was determined that the company provided incentives to its field services and advisory officers, sales and marketing teams who are the business driving forces to win sustainable commercial coffee milling and marketing contracts with coffee farmers providing raw materials, promotions and sales of value added coffee blends and marketing company products and services. It was noted that to aligns with changes in the national labour demands, the company has embarked to compensates its employees according to the government labour agency rules and regulations. Finance and administration manager clarified that there was concern with the world coffee markets especially with issue to do with non use of child labour and improved staffs working conditions and environments.

The manager indicated that they do not engage workers below age of 18 years and staffs are provided with personal protective equipments, house allowances, clean water,

medical care and clean sanitations. The end markets from consuming countries demand that these conditions requirements must be fulfilled in order to engage with the company in any future business. Finance and administration manager confirmed that in every year the company must budget allocations to fulfill these requirements to comply. The finance and administration manager also indicated that the company ensured that all the national labour rules and regulations were followed especially when implementing the adopted strategic responses to environmental changes. The company also provide training to all its staffs to enable them appreciate new changes and increases their capacity.

4.3.6 Substitute Products/Services

It was indicated that due to persisting poor coffee prices and low earning from coffee sales proceeds, some coffee farmers' that supply the company with coffee parchments for commercial milling and marketing, have shifted to other agricultural enterprises like horticulture, dairy and real estate which are providing them with quick and high returns. This negatively impact the company since the coffee volumes supplied for commercial milling and marketing is far below the company milling capacity yet the operation costs remains high. Competitors dealing with other beverages like tea, coca and chocolate, soda and mineral water are rebranding their products and services trying to customize their products in regards to their customers' purchasing power and having them shelved at every distribution outlets.

As a result sales and marketing managers indicated that the company has been prompted to rebrand their value added coffee blended products as well as increasing designated distribution outlets. At the same time sales manager indicated that, the company has intensified products sales promotions, advertisements and market penetration through affordable prices without quality compromise to counter substitute products. The finance manager indicated that his department is committed to ensure enough funds are allocated to the marketing department to facilitate them to rebrand value added coffee products,

advertise and open new markets to maintain loyalty from existing and new customers' and improves on its market share

4.4 Strategic Responses to Changes in Sasini's Business Environment

Sasini limited has been responding to the environmental changes that have influenced its competitive situation. Some of the strategic responses include reformulating Company Vision, Mission Statement and Core Values Registration of Commercial Coffee Mills, Incorporation of a Coffee Marketing Agency, Certification of the Coffee Mills and Products Value Addition. The strategic responses identified by the respondents are discussed below

4.4.1 Company Vision, Mission Statement and Core Values

The study indicated that the company strategically re-aligned its operations by formulating and developing its vision “ To be the leading Commercial Coffee Miller and Marketer in the Country”; Mission Statement “To ensure production, processing and Marketing of quality coffee in Kenya and the World with emphasis on environmental conservation, Social responsibility, applying the latest technology and value addition to existing products with a view to achieving maximum returns to our stakeholders, while giving utmost care to the interest of our valued customers and conforming to good corporate governance” and Core Values “Professionalism, Integrity, Creativity, Innovation and Willingness to change, Team work, Good Corporate Governance and Social Responsibility”. This was viewed as the company overall strategy to drive the strategic responses embraced to counter the environmental changes and their implications to the company business.

4.4.2 Registration of Commercial Coffee Mills

It was noted that, for Sasini Coffee Company to comply and remain relevant as required by Coffee Act 2001, in May 2006, Sasini Company Limited was registered as Commercial Coffee Miller to expand its revenue generation. The main objective was to allow Sasini Coffee Company limited to save costs incurred from milling charges

invoiced by the contracted coffee millers, diversify company income base through milling coffee parchments from small and medium scale coffee farmers in the country at affordable milling charges, and ensure sustainable and growing earnings for its shareholders. Since then the company has continued to receive unequivocal support from Kenyan coffee farmers who continues to supply growing volumes of coffee parchments raw materials.

To accommodate growing coffee parchments supply the company has invested about USD 4.4 million in the expansion and modernization of its commercial coffee mill and warehousing facility since 2009 to date. The expansion has improved the milling capacity to handle about 21% of the country's annual production that translates to 12.5 metrics tons per hour or 100 metric tons of coffee parchments per eight hours shift in a day. This was a milestone as the mills facility now handles three different coffee grades at the same time, thereby; reducing the time it takes to mills coffee from the time it was delivered, resulting to faster sales of clean coffee milled and shortens the time taken to pay farmers their sales proceeds. The art of state Sasini coffee mills has enabled Sasini coffee Company to be most preferred Commercial coffee mills in the Republic over and above other registered and licensed commercial coffee millers.

4.4.3 Incorporation of a Coffee Marketing Agency

The marketing manager indicated that, with the incorporation of Aristocrat as the Company marketing agency of the Sasini Coffee Company limited, the company has become more competitive. The marketing agency has been trading milled clean coffee at both the Nairobi Coffee Exchange and direct coffee sales with international coffee roasters hence bringing in sustainable prices and readily available local and international coffee markets. The manager informed that since then, the company has become stakeholder with the of Kenya Coffee Producers' and Traders' Association (KCPTA) whose core business is to run the commercial coffee Trade Sample Room and carry out the smooth auctioneering of Kenya coffee that is tendered to the Nairobi Coffee

Exchange (NCE). Sasini Coffee Company is also a registered member of The Kenya Coffee Traders Association (K.C.T.A.), whose objectives are to represent all member companies engaged in the coffee industry, to act as a forum for discussion and exchange, to disseminate coffee industry information to its members, to assist in the promotion of Kenyan coffee and its industry on the international market.

Sasini Coffee Company is also a member and a key player of East Africa Fine Coffee Association (EAFCA), whose core activities is to facilitate members' attendance at premier specialty coffee events held worldwide to promote and prominently feature their finest coffees and organizes trade missions for its members to selected target markets to enhance market linkages. Also mandated to build business relations, hosting and organizing the "African Coffee Connection" networking functions at international coffee events in coffee consuming countries to enhance market linkages through networking and building of trade relations

All the above efforts have enhanced Sasini Coffee Company marketing efforts and in the process managed to get some lucrative direct sales contracts for the coffee from their plantations and that contracted from small and medium coffee farmers' which translate to higher incomes. Both the finance and administration and marketing managers indicated that, the marketing agency has achieved break through its direct coffee sales by achieving USD 5.00 per kilogram of clean coffee over and above Nairobi Coffee Exchange prices.

4.4.4 Certification of the Coffee Mills

The line managers indicated that the company had undertaken its plantations, coffee wet mills and dry mills through the UTZ Certified and FLO Fair Trade Certified certification processes to enhance the chain of custody of the coffee it handles. Certification standards are being used as a means of communicating information about the quality, tracking and traceability, social, environmental and financial conditions surrounding the production of the coffee. Sasini coffee Company has benefited from implementing these certification

standards through improved quality and production; increased production efficiency; sustainable production; increase market access and profitable higher prices.

The marketing manager indicated that, sustainability standards are increasingly becoming de facto requirements for certain buyers who emphasis on traceability and tracking of coffee right from the tree to cup and flow of payments back to the producers. The requirements to address negative impacts on environment resulting from farm activities; social aspects touching on workers welfare including wages, working hours and conditions and certain quality level that meet taste and preference of end consumers, all which Sasini Coffee Company has fully complied with. Having complied with UTZ Certification Standards, Sasini Coffee Company demonstrates good agricultural practices, efficient farming and responsible coffee production. UTZ Certified process has helped Sasini Coffee Company to be more professional and competitive in producing and selling their coffee, they now have access to international network of support programs of buyers and development organizations and technical assistance and coaching from UTZ Certified trained agronomsts and field representatives.

In addition UTZ Certified has given Sasini Coffee Company access to new markets because coffee roasters and brands around the world are increasingly demanding UTZ certified coffee. Having complied with FLO Fair Trade Standards, Sasini Coffee Company is guaranteed minimum Fair-trade prices even when world market prices fall to at least cover the cost of sustainable production. Over and above Fair-trade prices, the company earns an additional sum of money, called Fairtrade Premium that they invest in communal education, healthcare, environmental conditions, farm improvements or processing facilities to increase income. FLO Fair Trade consumers are also committed to support Fair Trade Certified producers struggling to improve their lives by buying the ever-growing ranges of great products labeled FLO Fair Trade Certified coffee.

4.4.5 Sasini Coffee Products Value Addition

Sales manager emphasis that, Sasini Coffee Company limited recognizes that, brand support strategy is a promise and its consistency is not negotiable; the quality, cup

characteristics and the volumes must be guaranteed today, tomorrow and in future. As a strategic response to environmental changes, Sasini Coffee Company limited is in the phase of branding its coffee by characterizing the coffee it process and market into geographical regions in order to define the unique attributes associated with each region. This will further position the Sasini coffee bearing Geographical Indications in the emerging Specialty coffee markets and establish relationship buying.

The marketing manager highlighted that, Sasini Coffee Company limited was exploring appropriate partnerships both within the private and public sector partnerships to drive promotion as a strategic response to environmental changes, including but not limited to; Kenya Tourism Board to make use of their already established effective marketing network, Kenya Airways as an extremely effective avenue to fly Sasini coffee brands to places, Brand Kenya and Kenyan missions abroad. This strategic response to environmental changes will continue to trigger high demand of Sasini coffee from consuming destinations.

The quality and trading manager indicated that Sasini Company limited has adopted blending of its coffee both from its plantations and that outsourced from cooperative societies and small-medium estate coffee farmers' to improve average prices form their low quality coffee. Other reason in blending is to create proprietary or signature blend that leads to consumers to equate Sasini coffee profile with Sasini coffee brand image. The blend will too enable Sasini coffee attain consistency from mouth to mouth and crop year to crop year.

Having achieved a lot in the field of agriculture, Sasini Coffee Company limited has invested Kenya shilling 100 millions on value addition by turning coffee into finished products, which is done under retail division. The company has branded roasted coffee at different level and packaged with reference to consumer tastes, preferences, and their disposable income. The packed coffee is supplied through distribution outlets ranging

from kiosks, retail shops, wholesales and supermarkets. The packaged coffees are certified by the Kenya Bureau of Standards and have been awarded the Bureau's Diamond Mark of quality to meet Kenya trading requirements.

The study determined that Sasini Coffee Company limited has extended the Savanna coffee lounges to the heart of the Nairobi city centre bringing a unique blend of Kenyan art, cuisine and spirit. The finance and administration manager indicated that, Sasini Coffee Company limited will continue scouting for opportunities to set up more coffee lounges at convenient locations in Kenya and other world capitals with plans underway to set up a similar outfit in palm Island Dubai and in London. The Savanna Coffee Lounge has taken refreshments a step further with its uniquely Kenyan design and a touch of international feel. Born out of the increasing international trends of coffee shops, the savanna coffee lounge is betting big on the changing trends and changing lifestyles of Kenyan and international visitors alike who require space and a touch of style that suits their strained lifestyles.

One of the key goals of the savanna coffee lounge is to inspire a Kenyan concept for the global market. To give it a touch and feel of the international market, Sasini has teamed up with an international acclaimed team from Dubai, which is credited for launching over 100 model franchise coffee shops in both Dubai and India which is working hand in hand with a local team to create the sumptuous menus on offer. Sasini limited is creating a winning concept and believes savanna coffee lounges will have franchise holders a cross the globe, built on its unique approach and Kenyan style.

4.5 Discussion

This study intended to establish the strategic responses adopted by Sasini Coffee Company limited to the changes in its business environment. The study contributed to the established theory that strategic responses to environment changes are geared towards improving the effectiveness of basic operations within the company. The study also established that, it is highly related to other studies that were carried out to establish strategic responses to environment changes surrounding various organizations' business respectively.

4.5.1 Linkage to Theory

Established theories in strategic management have been fronted by scholars and practitioners alike. According to Johnson and Scholes (2005), operational strategic responses to environmental change are concerned with how parts of an organization deliver effectively the corporate and business level strategic responses in terms of resources, process and people. Companies adopt strategic responses to environmental change, directed at improving the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. This study sought to establish strategic responses by Sasini Coffee Company limited to the changes in the business environment. The study established that Sasini Coffee Company limited has re-aligned its operations by formulating and developing its vision and mission Statement ,Registration of Commercial Coffee Mills, Incorporation of a Coffee Marketing Agency, Certification of the Coffee Mills ,Sasini Coffee Products Value Addition. Therefore, this study contributed to the established theory that strategic responses are geared towards improving the effectiveness of basic operations within the company

Ansoff and McDonnell (1990) see strategic response to environmental change as a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises. This study found out that Sasini Coffee Company limited, implemented the certification processes as a strategic response to environmental changes through improved quality and production; increased production efficiency; sustainable production; increase markets access hence achieving sustainable business growth and development. Therefore, this study reinforced the fact that the need for strategic responses is to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises

Pearce and Robinson (2007) indicate that there is need to adopt new strategic responses that match the challenges from the environmental changes. Equally, Sasini limited has adopted strategic responses such as, registration of commercial coffee mills, incorporation of a coffee marketing agency, certification of the coffee mills, Sasini coffees products value addition of which are unique to the firm and respond to challenges from the environmental changes

4.5.2 Relationship to Other Studies

This study was similar to several studies that have been conducted in the past. Goro (2003) conducted a study on the strategic responses of commercial banks to the threat of substitute products, found out that commercial banks employ more of market strategies such as advertising and quality to maintain their market share. However, in this study it was established that Sasini Coffee Company limited has chosen to brand its coffee by characterizing the coffee processes and market it in geographical regions in order to define the unique attributes associated with each region.

In yet another study on strategic responses, Kandie (2001) found out that Telkom Kenya Limited responded by reducing costs of operation in terms of cutting down on staff. This

was in order to survive in the changing environment. However, for Sasini in the event of trying to cut down costs has not reduced staff but chosen to be registered as Commercial Coffee Miller as per the Coffee Act 2001, allowing the company to save costs incurred from milling charges invoiced by the contracted coffee millers, diversify company income base through milling coffee parchments from small and medium scale coffee farmers in the country at affordable milling charges, and ensure sustainable and growing earnings for its shareholders.

In a study by Migunde (2003) Kenya Broadcasting Corporation responded to changes in the business environment by improving the quality of its programs as well as venturing on an expansion strategy to reach a wider coverage, similarly Sasini has also resorted to value addition by resorting to branding its coffee by characterizing the coffee it process and market into geographical regions in order to define the unique attributes associated with each region. The company has also adopted blending of its coffee both from its plantations and that outsourced from cooperative societies and small-medium estate coffee farmers' to improve average prices from their low quality coffee.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents discussions of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations there-to. This chapter is, thus, structured into discussions, conclusions, recommendations and areas for further research.

5.2 Summary

This study sought to gain a better understanding of the strategic responses by Sasini Coffee Company limited to changes emanating from the changing environment, which influences and affect its operations, products, target markets and satisfaction and expectation of its customers. The study determined that, the certification of the commercial coffee mills was the key driving force in the sense that it was used as a tool to communicate in formations about coffee quality, tracking and traceability, social, environmental and financial conditions surrounding the production of the coffee. Sasini coffee Company has benefited from implementing the certification processes as a strategic response to environmental changes through improved quality and production; increased production efficiency; sustainable production; increase markets access hence achieving sustainable business growth and development. The study findings too indicated that adopting coffee value addition through roasting and packaging as well as opening Savanna coffee lounges at the heart of Nairobi city centre as a strategic response to environmental changes had enabled the company to create new markets, hence increasing its revenue base. It was determined that the company's competitors were rebranding their products and offering them at low prices thus undermining and leading to loss of clients by the company. The marketing manager indicated that the company was working on the improvement and rebranding of its existing coffee products and services as to sustain its market shares.

The marketing department experienced challenges in the marketing of the green and value added coffee products due to limited budgets, low local and global prices for raw and value added coffee products. Other bottlenecks were because of entrance of many market players, poor knowledge and awareness of products, cultural diversity and international coffee trade laws. It was determined that diversification as strategic responses to environmental changes were aimed at increasing organizations growth, adaptability to sustainable business growth and development.

5.3 Conclusion

From the study findings, it can be concluded, that Environmental changes have serious economic effects and consequences and are of great concern for organizations that would wish to maintain sustainable business growth and development. The changes in the agricultural, legal, marketing and trading policies and global liberalization of the coffee industry has made it easy for new entrants into the coffee industry. Today's world market recession, first world economic crutch, high dollar exchange rate and demand for scarce specialty coffee have threatened the coffee industry globally.

However, Sasini Coffee Company limited have responded to those challenges effectively by being UTZ and Fair trade coffee certified, Membership and participation, training of the staffs and clients, adapting new technology, participating in corporate social responsibility, value addition and branding their coffee products and building good relationship and partnerships with coffee producers, dealers and international coffee buyers. It is therefore, concluded that integrating all this strategic responses measures has enabled Sasini Coffee Company limited to effectively and efficiently counters the changes in its business operating environment.

5.4 Recommendations

The study findings indicated that turbulent environmental changes has affected coffee industry negatively to the extent of the coffee producers shifting to other profitable agri-business enterprises, leading to low coffee volumes of poor quality attributes which has direct effects to Sasini coffee commercial milling and marketing business growth and sustainability. This study therefore would recommend that, Sasini Coffee Company limited should pursue to work very closely with outsourced coffee growers and help them farm coffee as a business to realize high coffee production with high quality attributes to easy penetration into specialty coffee world markets. Through its registered commercial coffee marketing agency, the company should play an active role to links its outsourced coffee producers with their global coffee buyers to create a platform for coffee farmers to understand end consumers' expectations. The company should go further and undertake quality management systems certification through ISO 9001:2008 standards documentation and implementation, to use as tool for continuous improvement in its operation systems and ISO 2004:2200 standards documentations and implementations to guarantee quality, health and safety of their end-products consumers. This will ensure sustainable business, through increased customer satisfaction and retention, optimal operation costs and increase productivity.

5.5 Limitations of the Study

The study having adopted a case study design makes it difficult to generalize the findings to the entire coffee industry in Kenya. The study only allowed for in-depth study of Sasini Limited and cannot be, inferred to other organizations.

This study was also limited by time. The study had to be done within a limited time span and thus meant that intense exposure to the subject variables may have been constrained. The study was further limited by the fact that only senior managers of Sasini coffee company were interviewed

5.6 Suggestion for Further Study

The study examined strategic responses by Sasini coffee company limited to environmental changes, Kenya. To this end, therefore the same study should be, carried out in other licensed commercial coffee milling and marketing Agent firms' to find out if the same results would be obtained. The same study should also, be carried to licensed private coffee millers and licensed coffee dealers in Kenya.

The same study should also, be extended to Companies trading in other commodities' that brings foreign earning to Kenya economy. This should not be limited to sectors in tea, macadamia, pyrethrum, cashew nuts and horticulture firms. . The study used a sample size of seven respondents' and thus the study suggests that for other studies dealing with the same, a larger sample size should be used.

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APPENDICES

APPENDIX I: COVER LETTER

Simon Kaniaru Gakinya,
University of Nairobi,
P.O BOX, 30197
Nairobi.

July 2011,

To The General Manager
Sasini Coffee Company
Nairobi

Dear Sir/Madam,

RE: DATA COLLECTION

I am a postgraduate student at University of Nairobi undertaking a Master of Business Administration degree Program majoring in Strategic Management. One of my academic outputs before graduating is a thesis and for this I have chosen the research topic “strategic responses by Sasini tea & coffee company limited to environmental changes”.

You have been selected to form part of the study. This is to kindly request you to assist me collect the data by responding to the interview guide. The information you provide will be used strictly for academic purposes and will be treated with utmost confidence.

A copy of the final report will be available to you upon request. Your assistance will be highly appreciated.

Yours sincerely,

SIMON KANIARU GAKINYA

APPENDIX II: INTERVIEW GUIDE

Strategic Responses by Sasini Tea & Coffee Company Limited to Environmental Changes, Kenya

Interviewee's managerial position: _____

Years with the Company: _____

Years in the current position: _____

What is your role in the company's strategies formulation process?

What are the strategic responses by Sasini tea & coffee company limited to environmental changes? Who is responsible?

How do the following environmental changes affect Sasini tea & coffee company limited? Explain.

Competition in the industry

Market

Change in technology

Leadership

Resistance to change

Legal/Regulatory factors

Customer needs and preferences

Labour market conditions

Substitute products/services

Weather changes

Any other?

What has been the implication of the environmental changes in (6) above on the company's operation?

For each of the environmental change mentioned in (6) above, how has the Company responded to environmental change?

How has the company been able to amend its strategy implementation process as per the environmental change explained in (8) above?

Overall, do you think the company has successfully responded to this environment changes? How? Explain.