STRATEGIC RESPONSES BY KENYA MILK PROCESSORS TO
ENVIRONMENTAL CHALLENGES

By

VICTOR MWENDWA CHRISTOPHER

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

November 2008
DECLARATION

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

Name: VICTOR MWENDWA CHRISTOPER
Registration No: D61/8947/05

This research project has been submitted for examination with my approval as a university supervisor.

Name: JEREMIAH KAGWE
Lecture.
Department of Business Administration
School of Business,
University of Nairobi.
DEDICATION

I dedicate the project to my Dad, Christopher M. Linge and my Mum Salome M. Linge for devoting their resources to finance my education that made my academic dream come true. Special dedication to my dad who always encourages me to dream and be all that I can be and my mum who believes in me and for her unceasing prayers.

To my beloved brothers, Stephen Makau and Zacharia Ndunda and my sister Faith Mwende for their prayers and companionship. You always urged me to move on. I will always treasure our memories, fears and life together. You encouraged me not to settle for less.

To my future family ‘I did it for you and for our future’

Above all is my utmost gratitude to God who has always filled my cup and assures me daily that he never forsakes his children.
ACKNOWLEDGEMENT

In the monumental task of undertaking this study and producing the findings within the context of the project, many people have given me indispensable co-operation help and encouragement. I therefore take this opportunity to most sincerely express my gratitude to them all. The following however deserve special mention:

First to my supervisor Mr. J Kagwe through whose skillful guidance, positive criticism, patience and suggestions, this project was successfully completed.

I am grateful to all the respondents in the Dairy sector who participated in this research without whose co-operation, understanding and patience, I could not have been completed in time.

I sincerely appreciate my parents Christopher Linge & Salome Mwau Linge for their prayers, financial and moral support they gave me. Honor goes to all my lecturers and fellow students in the MBA program for rendering an enriching experience to share and procure knowledge.

I wish to express my profound gratitude to all my friends for their encouragement during the course of my study. It was a tough road but with your support and amazing friendship I made it. Thanks to you all.

I am equally grateful to my sister Faith M. Christopher for being close to me during the project period. Her selfless effort to ensure that my document was typed and printed in good time.
# TABLE OF CONTENTS

| DECLARATION | ii |
| DEDICATION | iii |
| ACKNOWLEDGEMENT | iv |
| LIST OF FIGURES | vii |
| LIST OF TABLES | viii |
| ABSTRACT | ix |

## CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Strategy and Strategic Responses ................................................. 1

1.1.2 The Dairy Industry ................................................................. 4

1.2 Statement of the Research Problem .................................................. 5

1.3 Research Objectives ................................................................. 6

1.4 Importance of the Study ............................................................ 7

## CHAPTER TWO: LITERATURE REVIEW

2.1 Organization and the Environment .................................................. 8

2.2 Strategic Responses ......................................................................... 12

2.2.1 Cost Leadership Strategy ...................................................... 12

2.2.2 Differentiation Strategy ......................................................... 13

2.2.3 Restructuring ........................................................................... 13

2.2.4 Marketing Strategies .............................................................. 14

2.2.5 Information Technology (IT) .................................................. 15

2.2.6 Culture Changes ..................................................................... 16

2.3 Environment and Strategy Relationship ......................................... 17

2.4 Strategic Response to Environmental Challenges ........................... 18
LIST OF FIGURES

Figure 1: Managing Firms Adaptation to the Environment ................................................. 11
Figure 2: Type of the Organization ................................................................................. 23
Figure 3: Products the Firms Are Involved In .............................................................. 24
Figure 4: Existence of a Formal Documented Mission and Vision ............................... 25
Figure 5: Regularity of Reviewing Mission and Vision .................................................. 26
LIST OF TABLES

Table 1: Type of the Organization.................................................................22
Table 2: Products the Firms Are Involved In................................................23
Table 3: Existence of a Formal Documented Mission and Vision...................24
Table 4: Involvement in the Formulation of the Company’s Mission and Vision...25
Table 5: Regularity of Reviewing Mission and Vision....................................26
Table 6: Impact of the Environmental Factors on the Business......................27
Table 7: Challenges Faced When Implementing Competitive Strategies............29
Table 8: Whether Adoption of Timely Strategic Responses Is of Any Value to the Firm...30
ABSTRACT

Environment is key to the success of any organization, as every organization exists to serve the environment. Any level of turbulence in the environment therefore calls for a strategic response for both survival and growth. The effects of the environmental turbulence have not spared the dairy industry. The environment has not being static but rather characterized by dynamism, the sector therefore like any other sectors face certain challenges and these calls for the management to develop strategic responses to these environmental changes. There is need for alignment and realignment of the organizations processes i.e. organizations must match their capabilities and strategies to the changing environment. The prime task of strategic activities is thinking through the overall mission of business, which leads to setting up of objectives. Strategic management must address the dynamics of market systems and behavior of the business environment.

The objective of the research was to identify environmental challenges facing the milk processors and the strategic responses the firms adapt to the environmental forces. The design of the research was a survey research design. This was because it collects data from a broad number of member’s population that facilitates comparisons. The researcher sampled the 25 major milk processors firms in Kenya and managed to get 16 completed questionnaires representing a 64% response rate.

Data was collected using semi-structured questionnaires and was analyzed using descriptive statistics. The data was coded and entered into a spreadsheet and analyzed using SPSS (Statistical Package for Social Sciences) and presented using bar graphs, percentages and frequency tables.

The environmental factors that affect firms operations include political economical social technological ecological factors. All these factors affect the firms in varying degrees. Firms have however developed strategies to counter react to the impact of the environmental forces. The strategies adapted include, restructuring, efficient marketing, information technology, culture changes etc. All the firms agreed that it is beneficial for all of them to adopt timely strategic response to these environmental forces. The firms however were faced by challenges when responding to the environmental forces. These included high cost of maintaining quality services, cost of maintaining skilled labor, increased competition, government policies and regulations, inflation rates etc.
The research recommends a change in management approach to a more proactive one towards the environmental turbulence. Further the research recommends a major study in strategic and implementation of strategies to the environment in the dairy industry and in other related industries.
CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Strategy and Strategic Responses

Pearce and Robinson (1997) state that in order for organizations to achieve their goals and objectives, it is necessary for them to adjust to their environment. The dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive. Failure to effectively adapt their strategies to the environment leads to a strategic problem. Such a problem will be evidenced by a mismatch between what the organization offers and what the market demands. (Ansoff and Mc Donnel 1990)

Grundy (1995) states that responsiveness and flexibility are increasingly important factors that determine the success of an organization. The achievement of superior efficiency, quality innovation and responsiveness enables an organization to create superior value and attain a competitive advantage. With changing business environment, firms find it increasingly difficult to identity industry in which there is good enough conditions that allow a rate of return above the competitive level. Competitive strategies provide a framework for the firm to respond to various changes within the firms operating environment. Pearce and Robinson (1991) argue that, in today’s rapidly changing business environment managing both internal resources and challenges posed by the external environment is essential in the survival of any given organization. To deal effectively with matters that affect growth and profitability, executives employ management process that they believe will position a firm optimally in its competitive environment. Strategic management has a critical role in facilitating the development of a firm’s resource in an efficient manner to facilitate the optimization of long-term performance of the firm.

Mitzberg and Gain (1996) argue that strategy is the pattern or plan that integrates an organization’s major goals, policies and actions into a cohesive whole. A well-formulated strategy allocates organization’s resource into a unique and viable posture based on its relative internal competences and weakness, anticipated changes in the environment and contingent moves by intelligent opponents. Strategic management is a complex and fascinating subject with a straight forward underlying principle but no right answers. Companies succeed if their strategies are appropriate for
the circumstances they face, feasible in respect of their resources, skills and capabilities and desirable to their important stakeholders. The essence of formulating competitive strategies is to relate a company to its environment and enable it to cope with competition. A competitive strategy is the basis on which a firm protects themselves from business attacks or offences from other firms in the same industry. In today's market place there exists intense competition at the local, national and international levels. The implication of these environmental changes is that those organizations that are prepared to face the competition are the ones most likely to survive. To succeed in the long term, companies must compete effectively to outperform their rivals in this a dynamic and often turbulent environment. To accomplish this they must find suitable ways for creating and adding value to their customers. A culture of internal co-operation and customer orientation together with a willingness to learn, adapt and change is ideal for survival.

Johnson and Scholes (1999) argue that organizations are open system that interacts with the environment. Organizations depend on the environment for their inputs and discharge their output to the environment. Environmental changes are more complex for some organizations than for others, how this affects an organization could include the understanding of organizational historical background and environmental effects as well as expected or potential changes in the environmental variables. Changes in the environment give rise to opportunities for the organization but also exert threats on it. Pearce and Robinson (1991) explains that a number of forces in the external environment combine to create a situation. These forces are so dynamic and interactive that the impact of one simple element cannot be wholly disassociated from the impact of other elements. They argue that the forces are categorized into: remote environment which originates within the firms operating environment, it includes economic, social, political, technological, ecological factors. Industry environment which comprises of entry barriers, power of suppliers, power of buyers, substitute products and services available and competitive rivalry. Operating environment which comprises of competitors, creditors, customers, labor, suppliers etc. The environment has in the past been relatively stable but now organizations worldwide are encountering more turbulent markets, more demanding shareholders and more discerning customers.

There is an interdependent relationship between an organization and its external environment because the organization exits as an open system. it obtains its resources from the external environment while
discharging its outputs to the same environment. The external environment is always changing in uncertain ways and as a result, an organization has to configure its resources in a flexible and speedy way in order to respond to these changes in a timely manner. Ansoff and McDonnell (1990) Firms in dynamic industries respond to the environmental changes in different ways. Responses can be operational or strategic in nature. Strategic responses can be defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm’s objective. It is therefore a reaction to what is happening in the organizations environment. On the other hand operational responses are concerned with efficiency of operations (Pearce and Robinson 1997)

David (1997) argue that strategic management allows organization to be efficient but more importantly it allows them to be effective. The strategic management process results in decision that can have significant long lasting consequences. Erroneous strategic decisions can inflict severe penalties and can be significantly exceeding difficult if not impossible to reverse. Strategists in successful organization take the time to formulate, implement and then evaluate strategies deliberately and systematically. According to Strickland and Thompson (1999) the particular business opportunities a firm has and the threats to its position that it faces are key influences of strategy. Strategy needs to be deliberately crafted to capture some or all of firms’ best growth opportunities, especially the ones that can enhance its long-term competitive position and profitability. Likewise strategy should be geared to providing a defense against external threats to the firms’ well being and future performance. For strategy to be successful it has to be well matched to the firm’s opportunities and threats. Successful strategist aim at capturing a company’s best growth opportunities and creating defenses against threats to its competitive position and future performance, effective strategy making requires a through understanding of the issues a company faces. One of the toughest strategic leadership tasks is keeping the organization innovative and responsive to changing conditions. The PEST analysis provides a useful starting point to any analysis of the general environment surrounding an organization. SWOT analysis summarizes the key issues from the organization and the strategies of an organization that are most likely to impact on strategic development. This is useful as a basis against which to judge future courses of action, it aims at identifying the extent to which the firms’ current strengths and weakness are relevant and capable of dealing with the threats or capitalizing on the opportunities in the business environment. The
opportunities enhance or favor the achievement of objectives. The external environment is dynamic and changes continuously each time posing new challenges in terms of new opportunities and threats. This dynamism is described as environment turbulence, which is a combined measure of the changeability and predictably of the firms' environments (Johnson and Scholes 1999).

1.1.2 The Dairy Industry

Kenya's dairy industry spans over 90 years and has undergone various evolutionary stages. In the first 60 years, it was dominated by large-scale farmers, while in the last 30 years small holders have increasingly dominated the sector, contributing over 80% of the total milk production. Secondly, it has evolved through three marketing periods. For the period up to 1969, it operated as an open market with various independent dairies being active market participants, while between 1969 and 1992, and primarily due to the rationalization of the dairy industry by the government, a monopolist market situation was created. Thirdly, since May 1992, the government liberalized the industry and opened up the industry to market competition.

Liberalization of the dairy sector enabled more of the cooperatives and private firms to venture into milk processing. Many of them are involved in processing and marketing pasteurized milk and other dairy products which include yoghurt, mala, cheese, butter and ghee. Kenya has managed to be largely self-sufficient in dairy products, except during extreme drought years. The demand for dairy products is on the increase primarily due to increase in population, improved income and emergence of new external markets. The country enjoys preferential market access within the Eastern and Southern Africa region, notably the regional trade blocks such as COMESA and EAC, which has brought significant benefits to the dairy trade. Sub-Saharan Africa accounts for 3% of the world's cow milk production and Kenya accounts for 18% of this. About 60% of total milk production in Kenya is produced in the highlands using exotic and cross-bred dairy cattle. Milk production from zebu, particularly in agro-pastoral areas, contributes a small proportion of milk to the local rural markets as most of it is used in the homestead. Smallholder dairy framers contribute over 80% of the total milk production in the country. (Dairy Mail 2008)
Milk production in Kenya has been increasing minimally but steadily from 1993 to 2006. This milk is primarily produced from cattle, camels and dairy goats. Their relative share in the market is estimated total milk output of 84% from cattle, 12% from camels and 4% from dairy goats. Kenya has 25 active milk processors with an installed dairy processing capacity of 2.9 million litres per day. The industry has invested in modern milk processing plants to ensure quality and efficiency. The major milk processing companies have achieved ISO 9000 and HACCP certifications, which relate to food safety and quality. The industry produces a wide range of long-life dairy products which include UHT milk, cheese, butter, ghee, and powdered milk among others and has registered substantial growth in the last four years in terms of milk intake by formal sector and growth in both local and export markets. The quantity of processed milk has grown from 143.6 million in years 2002 to 423.1 million litres in 2007, this is a 194% growth. Kenya's dairy products are renowned for their high quality and good taste. (Dairy Mail 2008)

1.2 Statement of the Research Problem.

Environment is key to the success of any organization, as every organization exists to serve the environment. Any level of turbulence in the environment therefore calls for a strategic response for both survival and growth. The effects of the environmental turbulence have not spared the dairy industry. The environment has not been static but rather characterized by dynamism, the sector therefore like any other sectors face certain challenges and these calls for the management to develop strategic responses to these environmental changes. There is need for alignment and realignment of the organizations process i.e. organizations must match their capabilities and strategies to the changing environment. The prime task of strategic activities is thinking through the overall mission of business and this leads to setting up of objectives. Strategic management must address the dynamics of market systems and behavior of the business environment.

The diary industry was liberalized in 1992 paving way to new entrants into the market. This intensified competition among the dairy processing and marketing companies in Kenya. The deregulation meant that the milk processors have to set their own profit margins and practices in their operations. For firms to remain competitive in this changing environment the managers must develop effective competitive strategic responses to these changes. Porter (1985) argues that industry forces
can affect performance of a firm. These forces are power of buyers, power of supplies, competitors, the threat of entry and substitute products. Each influences performance by affecting product value, price and cost the firm. He came up with Generic strategies of cost leadership strategy and differentiation strategy. A firm should be either a differentiator or the cost leader. A differentiator invests in offering high value products/services and the cost leader has the most competitive cost. These strategies can be applied to a broadly defined market or to a market niche. In this approach a firm must make an essential trade-off in either choosing between investing in higher value and investing in lower cost of production.

Research studies have been carried out on the dairy industry but none that the researcher is aware of has focused on strategic response by firms to environmental challenges. Studies done in the dairy industry by Auma (2004) Odondo (2001) focused on general aspects of marketing and operations of dairy firms in Kenya. Other studies with the same concept has be done by Njoroge (2004) that focused on responses by AAR Credit Services to changes in the environment. Leseketeti (2006) who focused on responses to increased competition by the Kenya National Examination Council.

Auma (2004) notes that due to liberalization of the dairy industry firms within the sector have/had to make adjustments in their marketing mix elements in order to adapt to the changed environment and remain competitive. It was therefore necessary to conduct a study to determine the strategies that firms adapt to environmental challenges. Understanding of the firms potentials and capabilities and its competitive environment is important as it determines the strategies that a firms may pursue to counter react to the moves of it competitors. The study therefore seeks to answer the question. 'What are the strategic responses adopted by Kenya milk processors to environmental challenges'

1.3 Research Objectives.

The objectives of the study were,

- To identify the environmental challenges facing the milk processors
- To determine the strategic responses by milk processors to environmental challenges
1.4 Importance of the Study.

The results of this study will be useful to milk processors who may learn the strategic approach to gain competitive advantages against their competitors.

The research also aimed at helping future researchers and scholars' who may use the results as a source of reference.

The results of the study will also be useful to the public in general and policyholders of the dairy industry in particular who will gain new insights into the industry.
CHAPTER TWO: LITERATURE REVIEW

2.1 Organization and the Environment

Kotler (1998) asserts that the globalized economy is creating both more hazards and opportunities for every one forcing firms to make dramatic improvements not only to compete and prosper but also to merely survive. He argues globalization in turn is being driven by broad and powerful forces associated with technological change, international economic integration, domestic market maturation within the more developed countries and the collapse of communism among other factors. He further argues that external environment forces are forcing change in the market place and is continually throwing out challenges which organization have to respond to. Major among these forces is the growing emphasis on quality, value and customer satisfactions.

Bumes (1996) identifies the forces of change as new products appearing in the market at an ever-increasing rate, local markets becoming global markets, protected or semi-protected markets and industries being opened to fierce competition, public bureaucracies and monopolies being transferred to the private sector or even having the market transferred to them among many others forces. Firms have to relate effectively with the environment for their survival and prosperity. This is because all organizations are environment serving or environment dependent. No organization operates independently. firms are open system that interact with and depend on its specific environment while remaining ever aware of the potential influences of its general environment. Organizations must adapt their practices to the changing expectations of the society in which it operates. As values, customs, and tastes change so must the organizations. This applies to both their products and service offerings and their internal operating policies. A mismatch with the environment affects the flow leading to problems with the affected components of the environmental inputs and outputs. (Coulter 2002)

The organizational environment is the general business setting created by the economic, technological, legal, political and social forces in which the firm operates. An organizations external environment includes economic factors, socio-cultural factors, demographic factors, political-legal factors and technological factors. The organizations internal environment includes the organizations systems, polices, resources capabilities and corporate culture. A wide range of environmental influences can affect organizations strategies and performances. It is particularly important in looking
at the future impact of environmental factors which may be different from their past impact. Understanding how PESTEL factors might impact on and drive change in general is important. The analysis provides a useful starting point to any analysis of the general environment surrounding an organization. (Pearce and Robinson 1991)

SWOT analysis summarizes the key issues from the business environment and the strategy capability of an organization that are most likely to impact on strategy development. This is useful as a basis against which to judge future courses of action. It aims at identifying the extent to which the current strengths and weaknesses are relevant and capable of dealing with the threats or capitalizing the opportunities in the business environment. Opportunities enhance or favor achievement of objectives while threats hinder or disfavor the achievement of objectives. The external environment is dynamic and changes continuously each time posing new challenges in terms of new opportunities and threats. The dynamism is changeability and predictability of the firm’s environment. Strategic managers are frequently frustrated in their attempts to anticipate the environments changing influences. Different external elements affect different strategies at different times and with varying strengths. Pearce and Robinson (1997) argue that organization exists in a complex commercial, economic political, cultural and social environment. The environment is not static but is under constant change which invariably affects the organizations that operate within them i.e. these environmental changes are more complex to some organization than to others. For its survival, an organization must maintain a strategic fit with the environment. The environment is important and an organization has to respond to its dynamism, heterogeneity, instability and uncertainty. Thomson (1997) argues that competitive environment has been and continues to be driven by technological innovation, globalization, competition and extreme emphasis on price quality and customer satisfaction. As a result organization must continuously create and innovate in order to stay relevant and be successful. A sustainable competitive advantage is achieved when there is a strategic fit between the external and internal environment.

Sauve (2002) noted that, the environment is a critical factor for any organization’s survival and success. It should be seen as biosphere in which individuals and organizations live over a long term and as a community project in which to be actively involved. It is a resource to be managed and shared hence the need to effectively manage the value chain system, establish collaborations.
partnership and to get involved in social responsibility. This will enrich this resource and enhance the
corporate image of the organization. It is noted that many organizations are now more than ever
being involved in social responsibility activities since a good corporate image can also be source of
competitive advantage. The changes in organizations behavior are necessary to ensure success in the
transformation of the future environment. They noted that such changes which touch on
organizations strategy and capability need to be and systematically identified trough the strategic
diagnosis approach. This approach is derived from the strategic success hypothesis which states that a
firm's performance potential is optimum when the aggressiveness of the firm's strategic behavior
matches the turbulence of its strategy and the components of the firm's capability are supportive of
one another. When one of these aspects is lacking then the firm's performance potential will be less
than optimum. The real time response is specific action that is chosen and implemented in order to
realign the organizations strategic aggressiveness to the environmental turbulence. (Ansoff and
McDonnell1990)

It is a big challenge to keep an organization successful each time the environment changes, a well
formulated strategy can however help to marshals and allocate an organizations resources into a
unique and viable posture based on its relative internal competences and shortcomings, anticipated
changes in the environment and contingent moves by intelligent opponents (Mintzberg and Quinn-
1991)
Figure 1: Managing Firm’s Adaptation to the Environment

Environment E (1) — Environmental Changes — E (2)

Strategic Response S (1) — Strategy Transformation Response — S (2) — Real-Time Responses

Internal Capabilities C (1) — Capability Transformation — C (2)


Figure 1 indicates the environmental dependence of organization. When there is an environmental shift from E1 to E2, then the organization’s strategy has to be changed from S1 to S2 in order to adapt to the changed environmental conditions. However, this is only possible when organization’s capability is changed from C1 to C2. Therefore, an organization has to monitor its environment continuously so that it can identify any shifts that require it to adjust its strategies in response to such environmental changes. This requires that a firm’s capabilities be constantly updated to ensure that they support chosen strategy. As the organization’s environment changes, it is necessary that the firm continuously adapts its activities and internal configurations to reflect new external situations. Failure to adapt to this endangers the future success of the organization. The concept of dynamic strategic fit creates and sustains competitive advantage because of the capacity to continuously improve, innovate and upgrade their competitive advantage over time. Upgrading is the process of shifting advantage through the value chain to more sophisticated types and employing higher level of skill and technology. (Porter 1985)
2.2 Strategic Responses

Thompson (1997) defines strategic adaptations as changes that take place over time to the strategies and objectives of an organization. Such change can be gradual, dramatic and even evolutionally. Strategic responses involve changes to the organizations strategic behavior such responses may take many forms depending on the organizations capabilities 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. Some of these strategic responses include restructuring, marketing, information technology culture change etc. (Ansoff and McDonnell 1990)

Porter (1980) suggest three generic strategies which are seen to be potentially successful approaches to outperforming other firms in the industry these strategies are overall cost leadership, differentiation and focus strategies. Firms can sometimes pursue more than one approach as its primary target. He argues that a long-term or grand strategy must be based on a core idea about how a firm can best compete in the market place.

2.2.1 Cost Leadership Strategy

With this strategy the objective is to become the lowest cost producer in the industry. Many market segments in the industry are supplied with the emphasis placed on minimizing costs. If the achieved selling price can at least equal or near the average for the market price then the lowest-cost producer will enjoy the best profits due to increased sales volume. The strategy is usually associated with large-scale business offering standard products with relatively little differentiation that are perfectly acceptable to the majority of customers. Occasionally, a low cost leader will also discount its products to maximize sales, particularly if it has a significant cost advantage over the competitors and in doing so it can further increase its market share. Therefore the cost focus strategy allows firms to seek a lower cost advantage in just on or a small number of market segments. The product will be basic perhaps a similar product to the higher priced and featured market leader.
2.2.2 Differentiation Strategy

This strategy involves selecting one or more criteria used by buyers in a market and the positioning the business uniquely to meet those criteria. This criterion is usually associated with charging a premium price for the product often to reflect the higher production cost and extra value added features provided for the consumer. Differentiation is about charging a premium price that covers more than the additional production cost and about giving customers clear reason to prefer their product to other less-differentiated products. A firm that can achieve and sustain differentiation will be an above average performer in its industry if its price premium exceeds the extra cost incurred in being unique (Porter 1985).

In differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers the important issue for any business adapting this strategy is to ensure that customers really do have different needs and wants. In other words there is a valid basis for differentiation and that existing competitor products are not meeting those needs and wants.

2.2.3 Restructuring

Wilson and Rosenfeld (1990) define organization structure as the establishment pattern of relationships between component parts of an organization outlining communication control and authority patterns. Thus structure distinguishes the parts of the organization and delineates the relationship between them. With regards to the number of levels in the structure of the organization often referred to as the scalar chain, Drucker (1989) suggest that these should be as few as possible. Too many levels bring difficulties in the understanding of objectives and communication both up and down the hierarchy.

One of the major activities of restructuring is the business process reengineering. Hammer (1996) notes that companies can dramatically improve their efficiency and quality by focusing on customers and the processes that creates value for them. Processes have come to be more important than their
products and are in fact defining the market places in which the companies compete. Outsourcing for instance would enable an organization to concentrate on its core business while benefiting from the cost efficiencies of those companies that specialize on the outsourced activity. Firms can design their strategies based on process for instance through intensification where processes are mapped and improved to enhance customer service or through extension where strong processes enable entity to compete effectively in new markets. (Kiptugen. 2003)

According to Quinn (1992) enterprises generally obtain strategic advantage by focusing on the smallest activity or cost units that can be efficiently replicated. Cost cutting efforts will lead to dramatically lower over head cost and part of these savings can be passed on to customers in terms of lowered prices. Thompson (1997) states that radical business process reengineering implies that a firm completely rethinks how certain task are carried out and searches for new ways through which performance can be improved.

Grundy (1995) however cautions that speeding activities up without detriment to quality and without increasing cost demands more effective learning and feedback to the management processes. Accelerating processes with continual and open learning avoids lastly errors. There are various catalysts for organization changes such as restructuring. These triggers may include the purchase of a new information technology (IT) equipment or system, business process re-engineering (BPR) through intensification/extension, the redesign of a group of jobs, staff right-sizing and subsequent staff cut backs as well as staff redundancies among others.

2.2.4 Marketing Strategies.

Kotler and Armstrong (1999) defines marketing as a social and managerial process, it is a process by which individuals and groups obtain what they need and want through creating and exchanging products of value with others. Basically its all about satisfying customers needs and wants. The strategic marketing responses are based on the marketing mix elements of product, price, place and promotion. Strategically successful organization obtains market feedback continuously and rapidly and adapt to the feed back ahead of their rivals.
Kotler (2000) observes that marketing helps to define the business mission as well as analyzing the environmental competitive and business situations it therefore plays a major role in the organization’s strategic planning process. According to Thompson and Strickland (1999) environmental scanning enables managers to identify potential developments that could have an important impact on industry conditions leading to the emergence of opportunities and threats. This will help the managers to develop appropriate strategies given the industry’s competitive situation. A number of strategic marketing variables may be manipulated in response to a changing competitive situation. These include adjusting to target markets diversification, developing new products, distribution changes and making price cuts. Other marketing variables situation includes the advertising and establishment of relationship marketing (Kiptogen 2003).

Further more firms can respond to competition by enhancing their relationship marketing campaigns. This involves a process of attracting and retaining customers and attracting potential customers, firms try to convert them to repeat customers which are in turn converted into loyal customers who become advocates by patronizing the company and encouraging others to build a long term win-win relationship with customers. This is accomplished by delivering high quality goods and services to the customer’s. Advertising is also another variable that comprise the firm’s response to environmental changes. (Kotler 1997)

2.2.5 Information Technology (IT)

According to Porter (1985) technological change especially information technology (IT) is amongst the most important forces that can alter the roles of competition. This is because most activities of an organization generate and utilize information. Porter and Miller (1985) contend that IT can also create new business from within a cause of existing activities. It offers a scope for product differentiation that enables the company to effectively service the needs of its market niche. The way a firm views its business, customers and competition is critical to successfully aligning its business and IT strategy. IT is used to automate processes and to augment the skills of the organization staff. Gilbert (1995) notes that strategically successful organizations obtain market feedback continuously and rapidly and adapt to the feedback ahead of their rivals. They exploit the potential of strategies as well as competitive and operating information system. Some of the information technology variables
that can influence a firm's response to competitive environment include the usage of real-time systems, extent of interconnectivity of distribution channels as well as the efficiency of the telecommunication systems.

**2.2.6 Culture Changes**

Thompson (1997) notes that the potential for changing the culture of an organization is affected by the strength and history of the existing culture, how well the culture is understood, the personality, beliefs of the strategic leader and the extent of the strategic need. The culture of the organization would need to be changed when it does not fit well within the requirements of the environment or the organization's resources or the company is not performing well and needs major strategic changes or the company is growing rapidly in a changing environment and needs to adapt.

Kotler (1996) notes that truly adaptive firms with adaptive cultures are awesome competitive machines they produce superb products and services faster and better even when they have fewer resources or less market share. Successful organizations must be able not only to deliver a high level of customer service but also manage cultural change. Culture change and corporate learning are interdependent. The rate of organizational learning is dependent on culture, the rate and content of organization learning fundamentally influence the firm’s culture. Thus culture is a process of relearning. Other indicators of cultural shifts include architectural design and branding of corporate buildings, the change in organization logo, and nature of internal communication as well as staff dress codes.

Brown (1998) argues that culture is the pattern of beliefs, values and learned ways of coping with experience that have developed during the course of an organization history and which tend to be manifested in its material arrangements and in the behaviors of its members. Real competitive advantage implies companies are able to satisfy customers' needs more effectively than their competitors, because few individuals' sources of advantage are sustainable in the long run. The most successful companies innovate and continually seek new forms of advantage in order to open up a competitive gap and then maintain their lead. Consequently an appropriate and cohesive culture can be a source of competitive advantage as it promotes consistency, coordination and control and reduces uncertainty while enhancing motivation and organization effectiveness. All of which
facilitate the clues of being successful in the market place. Therefore, corporate culture identified for
the market is a strategic tool that is used to manipulate consumer of an organization and its product
and services.

2.3 Environment and Strategy Relationship

Strategy is the positioning and relating of an organization to its environment in a way that will assure
a continued success. (Ansoff 1990) strategy can also be defined as the game plan management has for
positioning the company in its chosen market arena, pleasing customers and achieving good business
performance. Johnson and Scholes (2002) define strategy as the direction and scope of an
organization over the long term, which achieves advantage for the organization through its
configuration of resources within a changing environment and to fulfill stakeholders’ expectation.
The various definition of strategy all bring out the importance of external environment in as far as the
formation of strategy is concerned. Thus there exists a very strong relationship between strategy and
environment. Strategy is concerned with matching a firm’s resources and capabilities to the
opportunities that arise in the external environment. (Grant 1998) the organization draws its resources
which include employees, managers, suppliers, finance and many others from its competitive
environment. It has to compete with other firms for labor, supplies, finance and other resources. It
must then use these inputs in some organized way to produce various products and services
(Thompson 2003)

Corporate strategy is the pattern of major objectives, purposes or goals and essential 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 what kind of company is to be. Every organization has to manage its strategies in three
main areas that are the organization internal resource, the external environment and the organization
ability to add value to what it does Lynch (2000) when a firm sustains profits that exceed the average
for its industry, the firm is said to possess a competitive advantage over its rivals. Competitive
advantage may be defined as the significant advantages that an organization has over its competitors
in the same market. A company has competitive advantage when it has an edge over its rivals in
attracting customers and defending against competitive forces. Thus a competitive advantage is an
advantage over competitors gained by offering customers greater value either by means of lower
prices or by providing greater benefits and services that satisfies higher prices (Porter 1980)
Competitive strategy is concerned with creating and maintaining a competitive advantage in each and every area of business. For each functional area of the business such as production, marketing and human resource, the company will have functional strategy. It is important that this is designed and managed in a coordinated way so that they may inter-relate with each other and collectively allow competitive strategy to be implemented properly (Thomson 2003)

2.4 Strategic Response to Environmental Challenges

Strategic diagnosis identifies whether a firm needs to change its strategic behavior to assure success in its future environment. Its diagnosis confirms the need to match the environmental changes and the firms’ capabilities. The next step is to select and execute specific actions which will bring the firms aggressiveness and responsiveness in line with the future environment. For strategy to address a changed environment there has to be an appropriate transformation of the firms’ capability to match the external influence. This may involve changes in human resources, management style, finance, operational system and policies that guide the firm’s strategic thrust (Ansoff 1990)

Information obtained from strategic diagnosis is used to select a strategic response that will assure the firms future success. In discontinuous and surprising environment two types of response are found. the first is referred to as positioning response which uses strategic planning to select the portfolio of business areas in which the firm will participate and to develop the competitive strategies it will pursue in each area of business unit. The second type of response is the real-time response which uses a technique called strategic issue management to identify potential unforeseen strategic threats and opportunities to estimate the impact on the firm and to develop and execute timely responses.

To assure effective implementation, the firms also need to design the capabilities which will enable it to initiate and support the new strategic responses. Firm have two different complimentary capabilities which include management capability and functional capability Ansoff (1990). As far as strategic responses are concerned organizations need to develop corporate strategies that are best suited to that strength and weakness in relation to the environment in which they operate Lynch (2002) These corporate strategic responses may involve changes in the organizational products, changes in target markets, changes in organization structure, strategic alliances and mergers with
other organizations, diversification strategies, retrenchment, diversification and many others. Survival and success of organizations are influenced by their ability to respond to various competing pressures which include changes in the business environment, the strategic capability of the organization and the cultural and political context of the firm (Johnson Scholes 2002)
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was carried out through a census survey. This was because a survey research collects data from a broad number of members' population that facilitates comparisons. The study sought to compare various strategic responses of the population members with respect to environmental challenges.

3.2 Target Population

The study was based on the 25 active main milk processors in Kenya. According to the Dairy Mail (2008) there are 25 registered active main milk processors operating in the country.

The list of the main milk processors is given in appendix 3.

3.3 Data Collection

The collected data was primary in nature. The research problem was best studied using the survey method. Data was collected using structured questionnaire comprising both open ended and closed questions.

The open ended questions gave the respondents room to give more information and properly express themselves while the closed ended questions were used to produce the kind of answers expected to enable the researcher form an opinion and conclusion. The questions in the questionnaire were set to capture the objectives of the study and were dividend into different sections i.e. part one focused on the profile of the organizations and part two of the questionnaire focused on the specific information.

The target respondents were the key decision makers of the organizations. These included the Directors, Managers, or any body charged with the responsibility of the organizations strategic management. The method of administering the questionnaire was drop and pick method whereby a standard questionnaire was administered to all the respondents so as to ensure easy comparison of the results.
3.4 Data Analysis

The collected data was thoroughly examined and checked for completeness and comprehensibility. The data was then summarized, coded and tabulated. Statistical Package for Social Sciences (SPSS) was used to analyze the data as well as descriptive statistics especially mean scores frequencies and percentages were used in order to understand and interpret implications of the study. Pie charts and bar graphs were used to represent data in a pictorial format that could be easily used and understood by other users.
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the research. From the study population targets of 25 respondents, 16 respondents responded and returned the questionnaire, constituting 64% response rate.

4.2 General information.

Number of Years of Operation

In order to find the experience that the firms had, the researcher requested the respondents to indicate the number of years that they had been in operation. From the study, the number of years that the firms had been in operation ranged from 2 years to over 10 years.

Table 1: Type of the Organization

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parastatal</td>
<td>2</td>
<td>12.5</td>
</tr>
<tr>
<td>Limited company</td>
<td>14</td>
<td>87.5</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100.0</td>
</tr>
</tbody>
</table>

On the type of the organizations, the study found that the majority of the firms were limited liability companies as shown by 87.5% of the respondents, while 12.5% of the firms were parastatals. This information was also presented using the figure 2 below.
The study also sought to find out the products that the firms were involved in. From the findings in table 2, all the firms were involved in the production of fresh milk. The majority of the firms were also involved in the production of yoghurt as shown by 81.3% and mala (sour milk). Very few firms were involved in the production of ice cream as shown by 37.5%, ghee as shown by 31.3% and powder milk and UHT (ultra high temperature) as shown by 25% in each case. This information was also presented using the figure below.
4.3 Specific Information

Table 3: Existence of a Formal Documented Mission and Vision

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>15</td>
<td>93.8</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>6.3</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100.0</td>
</tr>
</tbody>
</table>

From the findings in table 3, it was clear that the majority of the organizations had a formal documented mission and vision statements as shown by 93.8%, while 6.3% of the respondents reported that their firm did not have a formal documented mission and vision statements. This information was also presented using the figure below.
The respondents were also requested to indicate those that were involved in the formulation of the company’s mission and vision.

From the findings, majority of the organizations directors were the ones involved in the formulation of the companies mission and vision as shown by 82.5%, 62.5% of the respondents said management and shareholders, while a few respondents as shown by 25% said consultants.
Table 5: Regularity of Reviewing Mission and Vision

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>After every 5 years</td>
<td>9</td>
</tr>
<tr>
<td>Annually</td>
<td>5</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
</tr>
</tbody>
</table>

The regularity of reviewing mission and vision was also investigated in the research. From the findings, majority of the respondents as shown by 56.3% said they were reviewed after every 5 years, 31.3% said annually, while 12.5% of the respondents said they did not have a specific period to review their vision and mission objectives i.e. when need arises. This information was also presented using the figure below.

Figure 5: Regularity of Reviewing Mission and Vision
Table 6: Impact of the Environmental Factors on the Business

<table>
<thead>
<tr>
<th></th>
<th>Least important</th>
<th>Less important</th>
<th>Moderately important</th>
<th>Important</th>
<th>Most important</th>
<th>Mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>0</td>
<td>18.8</td>
<td>12.5</td>
<td>31.3</td>
<td>37.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Political</td>
<td>0</td>
<td>31.3</td>
<td>25</td>
<td>18.8</td>
<td>25</td>
<td>3.4</td>
</tr>
<tr>
<td>Legal</td>
<td>0</td>
<td>31.3</td>
<td>50</td>
<td>12.5</td>
<td>6.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Economic factors</td>
<td>0</td>
<td>12.5</td>
<td>0</td>
<td>0</td>
<td>87.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Social</td>
<td>12.5</td>
<td>12.5</td>
<td>31.3</td>
<td>43.8</td>
<td>0</td>
<td>3.1</td>
</tr>
<tr>
<td>Ecological</td>
<td>12.5</td>
<td>25</td>
<td>18.8</td>
<td>43.8</td>
<td>0</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Organizations are affected by changes in the technological development, economic, political, legal, ecological and other social environments. The researcher therefore requested the respondents to indicate the extent that the environmental factors in the above table had an impact on their business.

From the findings the factors that had the greatest impact on the business were the economic factors as shown by a high mean score of 4.6. Other factor that had an impact on the business was technology. Further, the study also found out that political factors, legal factors, social and economic factors had a moderate impact on majority of the dairy processing firms as shown by mean score of 3.4, 2.9, 3.1 and 2.9 respectively.
Regularity of Using Strategic Responses

<table>
<thead>
<tr>
<th></th>
<th>Least used</th>
<th>Less used</th>
<th>Moderately used</th>
<th>Widely used</th>
<th>Most widely used</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pursuing cost leadership strategy</td>
<td>0</td>
<td>6.3</td>
<td>31.3</td>
<td>56.3</td>
<td>6.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Pursuing the differentiation strategy</td>
<td>0</td>
<td>25</td>
<td>31.3</td>
<td>37.5</td>
<td>6.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Adapting to new technology</td>
<td>18.8</td>
<td>0</td>
<td>31.3</td>
<td>31.3</td>
<td>18.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Change in marketing strategies</td>
<td>0</td>
<td>12.5</td>
<td>12.5</td>
<td>62.5</td>
<td>12.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Change in organizational culture</td>
<td>6.3</td>
<td>31.3</td>
<td>31.3</td>
<td>31.3</td>
<td>0</td>
<td>2.9</td>
</tr>
<tr>
<td>Utilizing advertising</td>
<td>6.3</td>
<td>0</td>
<td>37.5</td>
<td>56.3</td>
<td>0</td>
<td>3.4</td>
</tr>
<tr>
<td>Restructuring the organization</td>
<td>18.8</td>
<td>37.5</td>
<td>25</td>
<td>18.8</td>
<td>0</td>
<td>2.4</td>
</tr>
</tbody>
</table>

The respondents were also requested to indicate how often the strategic responses in the above table were used by the organizations. From the findings, the strategic responses that were widely used were change in marketing strategies as shown by a mean score of 3.8. Other strategies that were moderately used were utilizing advertising as shown by a mean score of 3.4, pursuing the differentiation strategy and adapting to new technology as shown by a mean score of 3.3 in each case and change in organizational culture as shown by a mean score of 2.9. Restructuring the organization was less used as indicated by a mean score of 2.4.
Table 7: Challenges Faced When Implementing Competitive Strategies

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Least challenge</th>
<th>Less challenge</th>
<th>Moderate challenge</th>
<th>Challenge</th>
<th>Most challenge</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>High cost of maintaining quality service</td>
<td>0</td>
<td>0</td>
<td>12.5</td>
<td>81.3</td>
<td>6.3</td>
<td>3.9</td>
</tr>
<tr>
<td>Cost of attracting and maintaining skilled staff</td>
<td>12.5</td>
<td>12.5</td>
<td>56.3</td>
<td>12.5</td>
<td>6.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Attracting large number of customers</td>
<td>0</td>
<td>12.5</td>
<td>43.8</td>
<td>43.8</td>
<td>0</td>
<td>3.3</td>
</tr>
<tr>
<td>Inability to differentiate products</td>
<td>6.3</td>
<td>62.5</td>
<td>6.3</td>
<td>25</td>
<td>0</td>
<td>2.5</td>
</tr>
<tr>
<td>Increased number of competitors</td>
<td>6.3</td>
<td>12.5</td>
<td>37.5</td>
<td>25</td>
<td>18.8</td>
<td>3.4</td>
</tr>
<tr>
<td>Huge financial requirements</td>
<td>0</td>
<td>0</td>
<td>12.5</td>
<td>62.5</td>
<td>25</td>
<td>4.1</td>
</tr>
<tr>
<td>Foreign competition</td>
<td>43.8</td>
<td>25</td>
<td>12.5</td>
<td>6.3</td>
<td>12.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Unpredictable government policies</td>
<td>12.5</td>
<td>43.8</td>
<td>0</td>
<td>18.8</td>
<td>25</td>
<td>3</td>
</tr>
<tr>
<td>Rapid changes in interest rates</td>
<td>31.3</td>
<td>37.5</td>
<td>0</td>
<td>18.8</td>
<td>12.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Changes in customer needs</td>
<td>31.3</td>
<td>25</td>
<td>12.5</td>
<td>25</td>
<td>6.3</td>
<td>2.5</td>
</tr>
</tbody>
</table>

The study also sought to find out the challenges faced by the firms when implementing competitive strategies. From the findings the challenges that were mostly faced were huge financial requirements as shown by a mean score of 4.1 and high cost of maintaining quality service as shown by a mean score of 3.9.

Further the study found that the majority of the firms faced moderate challenges when implementing the challenges which were increased number of competitors as shown by a mean score of 3.4, attracting large number of customers shown by a mean score of 3.3, unpredictable government policies shown by a mean score of 3, cost of attracting and maintaining skilled staff shown by a mean score of 2.9, inability to differentiate products and constant changes in customer needs shown by a mean score of 2.5 in each case. Rapid changes in interest rates and foreign competition were found as less challenges faced by the firms as shown by mean score of 2.4 and 2.2 respectively.
Table 8: Whether Adoption of Timely Strategic Responses Is of Any Value to the Firm

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>16</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The study also sought to find out the whether the adoptions of timely strategic responses were of any value to the firms. From the findings, all the respondents felt that timely strategic responses to environmental challenges were of great value to their firms. This is shown by 100% response rate.
5.1 Summary

Understanding the impact of environmental changes in the organization could help practitioners in the field to ensure that the milk processors develop rational strategies to effectively respond to these changes. Identifying and evaluating environmental opportunities and threats enable organizations to develop a clear mission to design strategies to achieve long-term objectives and develop policies to achieve annual objectives.

The research sought to gain a better understanding on the strategic responses by milk processors to challenges emanating from the turbulent business environment that influence their strategic operational plans. The population of the milk processors was 25 registered members with the Kenya Dairy Board (KDB) as at 2007. The respondents were the managers who were involved in strategic planning and formulation in their respective firms.

5.1.1 Environmental Changes

The business environment within which the milk processors operate continues to drastically change posing challenges to its operations. From the findings it has become apparent that the milk processors have been affected by the changes in the external environment. These environmental factors include, increased competition, political-legal factors, economic influences, social, ecological factors etc. these changes mean that the milk processors had to respond to these environmental forces effectively and efficiently in order to remain relevant in the market. The analysis showed that all these factors affect the firm in varying degrees.

5.1.2 Responses to Environmental Changes

Strategic responses involve changes to the organizations strategic behavior such responses may take many forms depending on the organizations capabilities 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. (Ansoff and McDonnell 1990)

The research established that the milk processors have responded to the environmental changes and challenges by implementing several measures. These measures include, pursuing cost leadership strategy, pursuing differentiation strategy of their products, adapting to new and improved technology, change in marketing strategies, change in organizational culture to a more customer oriented culture, restructuring of the organization to ensure there is efficiency and effectiveness in the way the organization does its day to day business operations.

The research also sought to establish the constraints/challenges both internal and external that the firms faced as they tried to respond to the environmental changes. It established that there are many challenges faced by the milk processors in their efforts to respond to market changes in order to remain competitive in the market. These challenges included lack of finances i.e. to help maintain high quality service, cost of attracting and maintaining skilled staff, changes in customer’s needs and demand, increased competition and government legislations and polices governing the industry, increase in inflation rates among other factors. These factors influenced the degree to which the firms could respond to the emerging environmental challenges.

5.2 Recommendations for Further Research

The research focused on the strategic responses by milk process to environmental challenges. A research could be carried out to find how the strategic planning is adopted in the Dairy Industry to face the changing market needs. A study should be carried out find how the managers in the industry understand and approach strategic management issues as this could affect how they carry out strategic practices.

5.3 Recommendations

The research recommends a change in strategic management approach to a more proactive one towards the environmental changes. Further the research recommended a major research on strategic planning and implementation of responses to the environment in the Dairy industry and in other related industries.
As one looks at various challenges faced in the implementation of the various strategies, one needs to further research in order to find out how investors, government, managers, and all other stakeholders charged with policy formulation can play their roles effectively to ensure they offer support and create an enabling environment for the policy formulators and implementers.

5.4 Limitation of the study

The research focused on the strategic responses by Kenyan milk processors to environmental challenges. Strategy and strategic management is a complex subject which goes to the core of the organizational existence.

Information was not easily available due the fact that the researcher was not an employee in any of the milk processors. This greatly contributed to the researcher getting inadequate information regarding the industry as a whole. Time allocated in the study may also have affected the quality of responses given the fact that the respondents have very short time duration to fill the questionnaire. The respondent rate was not 100% as was intended by the research. The researcher was not unable to get respondents of 36% of samples the population response the response rate was 64% of the total sample population.

5.5 Conclusions

Firms have to relate effectively with the environment for their survival and prosperity. This is because all organizations are environment serving or environment dependent. No organization operates independently, firms are open system that interact with and depend on its specific environment while remaining ever aware of the potential influences of its general environment. Organizations must adapt their practices to the changing expectations of the society in which it operates. As values, customs, and tastes change so must the organizations. This applies to both their products and service offerings and their internal operating policies. A mismatch with the environment affects the flow leading to problems with the affected components of the environmental inputs and outputs. (Coulter 2002)

A wide range of environmental influences can affect organizations strategies and performances. It is particularly important in looking at the future impact of environmental factors which may be different from their past impact. Understanding how PESTEL factors might impact on and drive
change in general is important. The analysis provides a useful starting point to any analysis of the general environment surrounding an organization. (Pearce and Robinson 1991) It is a big challenge to keep an organization successful each time the environment changes, a well formulated strategy can however help to marshals and allocate an organizations resources into a unique and viable posture based on its relative internal competences and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents (Mintzberg and Quinn 1991)

Strategic responses to a changing competitive environment therefore entail substantial changes to organization long-term behavior. These adaptations may be gradual or revolutionary depending on the nature and circumstances facing the organization. Many if not most organizations pursue a combination of two or more strategies simultaneously but a combination strategy can be exceptionally risky if carried too far. No organization can afford to pursue all the strategies that might benefit the firm. Difficult decisions must be made and priorities established. Organizations have limited resources and as a result, they must choose among alternative strategies and avoid excessive indebtedness
REFERENCES


Kenya Dairy Board (2004). Annual reports


Kenya Co-operative Creameries (2000), Information Memorandum June


Ministry of Agriculture (1997), Research Reports (MOA)


APPENDIX 1 – LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone 020-20591*2
Telegram "Varity", Nairobi
Telex 22045 Varity

DATE

TO WHOM IT MAY CONCERN

The bearer of this letter is a Master of Business Administration (MBA) student of the University of Nairobi.

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

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

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM
APPENDIX 2 – RESEARCH QUESTIONNAIRE.

Note: This questionnaire has been prepared in relation to the objectives of this study. It seeks to establish environmental challenges facing milk processors in the dairy industry. It also seeks to establish strategic responses by these organizations in view of the established challenges. The information provided in the questionnaire will only be used for academic purposes and will be treated with maximum confidentiality.

Section A. General Information

1. Name of your organization...........................................................

2. How many years of operating?....................................................... 

3. Please indicate whether your organization is a
   - Parastatal..............
   - Limited Company..........
   - Co-operative............
   - Others (specify)........

4. What products are you involved in? (Tick)

   Powder milk [......] Yoghurt [......]
   Lala (Sour milk) [......] Ghee [......]
   Ice Cream [......] UHT (Ultra High Temperature) [....]
   Fresh milk [......] others (specify)............
Section B: Specific Information

5. (i) Does your organization have a formal documented mission and vision statements?

Yes [ ]
No [ ]

(ii) If Yes in 5(i) above, please indicate those that were involved in the formulation of the company’s mission and vision.
Consultants [ ]
Shareholders [ ]
Directors [ ]
Others? Please specify ........................................

6. How often are the missions and vision statements reviewed?

After every 5 Years [ ]
Annually [ ]
Semi-annually [ ]
Quarterly [ ]
Any other period? Please specify .........................

7. Organizations are affected by changes in the technology development, economic, infrastructure, political, legal, cultural and other social environments. Please indicate to me which environmental factors have an impact in your business in the last 10 years? On a scale of 1 to 5, where 1 is the least important and 5 the most important what level of importance do you attach to each of the factors mentioned

<table>
<thead>
<tr>
<th>Environmental Factors</th>
<th>Least Important</th>
<th>Most Important</th>
</tr>
</thead>
</table>
8. Please indicate how often your organization has used the following strategic responses on a scale of 1-5. Where 1 is the least used and 5 the most widely used strategy.

<table>
<thead>
<tr>
<th>Least used</th>
<th>Often used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pursuing cost leadership strategy</td>
<td>[1] [2] [3] [4] [5]</td>
</tr>
<tr>
<td>Pursuing the differentiation strategy</td>
<td>[1] [2] [3] [4] [5]</td>
</tr>
<tr>
<td>Adapting to new technology</td>
<td>[1] [2] [3] [4] [5]</td>
</tr>
<tr>
<td>Change in marketing strategies</td>
<td>[1] [2] [3] [4] [5]</td>
</tr>
<tr>
<td>Change in organizational culture</td>
<td>[1] [2] [3] [4] [5]</td>
</tr>
<tr>
<td>Restructuring the organization</td>
<td>[1] [2] [3] [4] [5]</td>
</tr>
</tbody>
</table>

9. To what extent do you face the following challenges when implementing competitive strategies? Please indicate to what extend in a scale of 1-5 where 1 is least and 5 is most challenge.

<table>
<thead>
<tr>
<th>Least challenging</th>
<th>Most challenging</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>High cost of maintaining quality service</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Cost of attracting maintaining skilled staff</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Attracting large number of customers</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Inability to differentiate products</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Increased number of competitors</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Huge financial requirements</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Foreign competition</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Unpredictable government policies</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Rapid changes in interest rates</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Constant changes in customer needs</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Any other? Please specify</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
</tbody>
</table>
10. In your own opinion, is adoption of timely strategic responses of any value to the firm?

Yes ( )
No ( )

Thank for your responses
### Appendix 3 - List of Main Players in the Industry

<table>
<thead>
<tr>
<th>PROCESSOR</th>
<th>ADDRESS</th>
<th>TOWN</th>
<th>INSTALLED CAPACITY (LTRS/DAY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New Kenya Co-operative Creameries</td>
<td>P. O. Box 30131</td>
<td>Nairobi</td>
<td>800,000</td>
</tr>
<tr>
<td>2. Brookside Dairy Ltd</td>
<td>P. O. Box 236</td>
<td>RUIRU</td>
<td>700,000</td>
</tr>
<tr>
<td>3. Spin Knit Dairy Ltd</td>
<td>P. O. Box 78377</td>
<td>NAIROBI</td>
<td>350,000</td>
</tr>
<tr>
<td>4. Githunguri Dairy Cooperative</td>
<td>P. O. Box 3</td>
<td>GITHUNGURI</td>
<td>100,000</td>
</tr>
<tr>
<td>5. Limuru Milk Processors</td>
<td>P. O. Box 563</td>
<td>LIMURU</td>
<td>50,000</td>
</tr>
<tr>
<td>6. Meru Central F. C. U. Ltd</td>
<td>P. O. Box 6</td>
<td>MERU</td>
<td>50,000</td>
</tr>
<tr>
<td>7. Adarsh Developers</td>
<td>P.O. Box 318 - 00600</td>
<td>NAIROBI</td>
<td>20,000</td>
</tr>
<tr>
<td>8. Doinyo Lessos Ltd</td>
<td>P. O. Box 169</td>
<td>ELDORET</td>
<td>20,000</td>
</tr>
<tr>
<td>9. Delamare Estate</td>
<td>Private Bag</td>
<td>NAIVASHA</td>
<td>10,000</td>
</tr>
<tr>
<td>10. Afrodane Food Industries</td>
<td>P. O. Box 46336</td>
<td>NAIROBI</td>
<td>40,000</td>
</tr>
<tr>
<td>11. Kilifi Plantations</td>
<td>Private Bag</td>
<td>KILIFI</td>
<td>35,000</td>
</tr>
<tr>
<td>12. Happy Cow Ltd</td>
<td>P. O. Box 558</td>
<td>NAKURU</td>
<td>5,000</td>
</tr>
<tr>
<td>14. Molo Milk Ltd</td>
<td>P. O. Box 27</td>
<td>MOLO</td>
<td>50,000</td>
</tr>
<tr>
<td>No.</td>
<td>Company Name</td>
<td>P. O. Box/Address</td>
<td>Location</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------------</td>
<td>------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>15</td>
<td>Farmers Milk Processors Ltd</td>
<td>P. O. Box 744</td>
<td>KERICHO</td>
</tr>
<tr>
<td>16</td>
<td>Greenland Dairy Ltd</td>
<td>P. O. Box 44355-00100</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>17</td>
<td>Bio-Food Products Ltd</td>
<td>P. O. Box 27623</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>18</td>
<td>Egerton University (GDI)</td>
<td>P. O. Box 536</td>
<td>NJORO</td>
</tr>
<tr>
<td>19</td>
<td>Sunpower Products</td>
<td>P. O. Box 41112</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>20</td>
<td>Stanley &amp; Sons Ltd</td>
<td>P. O. Box 18889</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>21</td>
<td>Teita Estates Ltd</td>
<td>P. O. Box 36</td>
<td>MWATATE</td>
</tr>
<tr>
<td>22</td>
<td>Eldoville Farm Ltd</td>
<td>P. O. Box 24390</td>
<td>NAIROBI</td>
</tr>
<tr>
<td>23</td>
<td>Miyanji Dairy Farm</td>
<td>P. O. Box 81865</td>
<td>MOMBASA</td>
</tr>
<tr>
<td>24</td>
<td>Lari Dairy</td>
<td>P.O.Box 208</td>
<td>UPLANDS</td>
</tr>
<tr>
<td>25</td>
<td>Kabianga Dairy Ltd</td>
<td>P. O. Box 1595</td>
<td>KERICHO</td>
</tr>
</tbody>
</table>

**Source:** Kenya Dairy Board Annual report 2007