

**STRATEGIC RESPONSE BY EAST AFRICAN BREWERIES  
LIMITED TO COMPETITION**

**ELIZABETH WANJIKU NJOKI**

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**DECLARATION**

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

Signature..... Date.....

**Elizabeth Wanjiku Njoki**  
**D61/63223/2011**

This research project has been submitted for my review and approval as university supervisor.

Signature..... Date.....

**MR. JEREMIAH KAGWE**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**  
**SCHOOL OF BUSINESS**  
**UNIVERSITY OF NAIROBI**

## **DEDICATION**

This research project is dedicated to my loving mother Mrs. Njoki and to my family children and my husband for their love, prayers and support throughout my study and whose resources and time I diverted to this study.

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## **ABSTRACT**

The aim of this study was to determine the strategic responses employed by East African Breweries Limited to changes in the external environment. Specifically the study sought to investigate the main strategic responses by East African Breweries Limited to changes in the external environment; to understand how East African Breweries Limited has employed these strategies to counter the external forces working against its operations and to ascertain the challenges faced by East African Breweries Limited in responding to changes in the external environment. The study adopted a case study design. The research involved all senior unit managers at EABL. EABL is made up of seven operating units i.e. Kenya Breweries Ltd, Uganda Breweries Ltd, Serengeti Breweries Limited, International Distillers Uganda Ltd, Central Glass industries Ltd, Kenya Maltings Ltd and United Distillers and Vintners Kenya Ltd UDV (K). The study involved 2 respondents from each operating unit so as to get from them strategic responses employed by EABL in countering changes in the external environment. The data collected from the respondents was qualitative in nature. The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnect as was indicated by the respondents. The study findings indicated that EABL units have adopted two types of responses namely anticipatory approach which are driven by research on consumer and market trends and respective responses designed in order to maintain competitive advantage and stay ahead of the consumers and reactive approach which are driven by events happening in the market place that require responses ranging from competitor activities and changes in regulatory environment. The study therefore concludes that EABL continuously reviews/scans its environment and responds to the changes in the external environment based on potential impact of each change.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

According to Johnson and Scholes (2001), strategic response is concerned with the overall purpose and scope of the business to meet stakeholder expectations. It guides strategic decision-making throughout the business. It focuses on changes in product or market domain or both. On the other hand, operational response is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, and people and is largely concerned with strategy implementation issues. Strategy is therefore fundamental in the planning process since strategic decisions influence the way organization respond to their environment. Strategy can be said to be that unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.

The study has been grounded to open systems theory which refers simply to the concept that organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival (Wissema, 2005). The resource-based view theory explains that a firm draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. Market-based theory argues that sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position. The strategic position is a firm's unique set of activities that are different from their rivals. Alternatively, the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways.

In the ever changing industry environment, any company that wants to be successful and remain competitive has to have a strategy to ensure this. Every company must be willing and ready to modify its strategy in response to changing conditions, advancing

technology, the fresh moves of competitors, shifting buyer needs. The brewing industry in Kenya has gone through some changes in the last few years. The Kenyan alcoholic drinks market continues to grow as a result in growth in various sectors of the economy, such as wholesale, retail trade and service industry. The middle class continues to grow every year giving rise to individuals with considerable amounts of disposable income to spend on alcoholic drinks (Wairegi, 2004).

The Kenyan market is seeing more women independently financing their own drinking sprees and at business meetings alcohol is increasingly being used as an ice breaker at. The strategies that East African Breweries are using are organizing bar owner meetings in order to keep in touch with their customers and also being members of bar owner associations so that they are aware of opportunities that may lie with this group of people. Strategies that they have put in place to deal with the high bargaining power of suppliers were vertical integration so that they may be able to control some of their costs.

### **1.1.1 Strategic Responses**

Kotler (2003), defined Strategic response as changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and synergy According to Furrer (2008), further defined strategic response as means of changing the organizational vision, mission, objective and the adopted strategy to achieve those objectives however, according to Jennings (2003), Strategic response is defined as a difference in the form, quality, or state over time in organization's alignment with its external environment. Strategic management literature suggests that a successful firm's strategy must be favourably aligned with the external environment.

The relationships between business-level strategy and environment have been widely discussed in the extant literature (Miller, 1998). Organizations face significant constraints and contingencies from their external environment and their competitiveness depends on their ability to monitor the environments and adapt their strategies accordingly (Jennings, 2003). In the field of strategic management, the majority of studies analyze competitive environments from an economic standpoint, based on the implicit notion that business

environments are formal and objective. As such, the human element is assumed and the role that managers play in creating and changing competitive environments is neglected. However, given that people take business decisions and drives organizations, to ignore such an important dimension of the competitive landscape is a considerable limitation to developing more holistic understanding about competitive landscapes (Panagiotou, 2006). Despite the level of knowledge generated regarding the structure and dynamics of organizations, there remains little appreciation about how managers perceive their competitive environment and the impact of managerial cognitions on industry dynamics. Given that managerial cognitions influence decision-making and therefore competitive strategies, the cognitive aspect of management is integral to understanding how competitive structures develop or respond to the environment. Through their competitive activities, managers create and after the dynamics of an organization (Bukszar, 1999).

### **1.1.2 East African Breweries Limited**

Over the years the EABL, a world renowned alcohol manufacturing company in Kenya controls approximately 95 % of the Kenyan bottled alcohol market (EABL, 2013). Other players in the market include; Keroche Breweries Ltd., SABMiller, Heineken, Viva Product line, Panoricard, Sierra and Barcadi. Most recently these came together to form “The Responsible Alcoholic Drinks Companies Association – RADCA” EABL on the other hand, is a major player in the National Alcoholic Beverage Association of Kenya (NABAK), whose members include the government owned Kenya Wine Agencies Ltd (KWAL) and privately owned London distillers (Wairegi, 2004). These groups lobby for the interest of industry players and address issues that affect them; illicit brewers, distribution and marketing, underage drinking, taxation and legal regime.

East African Breweries Limited (EABL) is a large East African brewing company which owns 80% of Kenya Breweries, 98.2% of Uganda Breweries, 100% of Central Glass - a glass manufacturer, 100% of Kenya Maltings and 46% of United Distillers and Vintners (Kenya) Limited, 100% of Universal Distillers Uganda, 100% EABL International (responsible for exporting), 100% of East African Melting's, 100% EABL Foundation and 51% of Serengeti Breweries limited. (www.eabl.com 2013) 8 Kenya Breweries was founded in 1922 by two white settlers, George and Charles Hurst. The Company is

owned by the Dodd family of Kenya. By 1990, most of the shareholders were Kenyan and the company was very successful. Tanzania Breweries had been started by Kenya Breweries in the 1930s. After being nationalized in 1967, Tanzania Breweries was poorly managed.

However, in 1993 the Tanzanian government entered into a joint venture with South African Breweries Limited to run Tanzania Breweries (EABL, 2012). The company's main operations are in Kenya (80% of revenue), with footprints in Uganda (17%) and Tanzania (2%), as well as imports to Rwanda, Burundi and South Sudan. 50.03% of EABL is owned by global alcohol producer Diageo. well positioned to take advantage of top-down driver EABL have a 90% market share of Kenya's formal alcohol market. Its closest rival is local competitor Keroche, with only 2% of the market. There are significant barriers to opening a brewery: not only is it capital intensive, but there are supply chain, distribution and technical barriers (EABL, 2012).

### **1.1.3 Business Competition**

Competition is the rivalry among business people trying to achieve such goals as increasing profits, market share, and sales volume by varying the elements of the marketing mix: price, product, distribution, and promotion. Simpson and Samson (2008), defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by offering the most favourable terms. Business competition is the dynamic system in which a business competes and functions. The more sellers of a similar product or service, the more competitive the environment is which organizations compete. Organizations require guidance on the most effective functional areas in which to invest in order to improve and sustain environmental performance. As managerial practices progress from concerns with compliance towards practices seeking competitive advantage, more theory is needed regarding the manner in which corporate strategy, organizational structure and operational practices influence competitive performance of business strategy processes (Simpson & Samson, 2008). Businesses large and small are environment-dependent. No business can exist without the environment. They depend on the environment for their survival and they have to scan the environment in an effort to spot budding trends and conditions that could eventually affect the industry

and adapt to them. Failure to do this will lead to serious strategic problem characterized by the maladjustment of the organization's performance growth (Ansoff & McDonnell, 2000).

Business competition is widespread throughout the market process. It is a condition where "buyers tend to compete with other buyers, and sellers tend to compete with other sellers. In offering goods for exchange, buyers competitively bid to purchase specific quantities of specific goods which are available, or might be available if sellers were to choose to offer such goods. Similarly, sellers bid against other sellers in offering goods on the market, competing for the attention and exchange resources of buyers (Mintzberg, 2008). The competitive process in a market economy exerts a sort of pressure that tends to move resources to where they are most needed, and to where they can be used most efficiently for the economy as a whole. For the competitive process to work however, it is "important that prices accurately signal costs and benefits. Where externalities occur, or monopolistic or oligopolistic conditions persist, or for the provision of certain goods such as public goods, the pressure of the competitive process is reduced

#### **1.1.4 Alcohol Industry in Kenya**

Kenya is ahead of its East African Community neighbours in alcohol production with a production of 2.8 million hectoliters in 2003, compared to Tanzania with 2.1 million hectoliters and Uganda's 1.3 million hectoliters. Traditionally, people in Kenya have made a variety of fermented alcoholic beverages a concept that became so widespread during the 20th century although this kind of production has always been illegal. People who cannot afford the expensive highly taxed bottled alcohol result to these cheap illicit drinks that are sold as grain beer, palm wine and spirits, some of which contain traces of lethal industrial chemicals in pursuit of making them more potent (Abdullahi, 2000). The trade in this informal sector is probably five times as large as the legal trade in the bottled beer, wine and spirit (Wairegi, 2004).

The alcoholic drinks market in Kenya experienced a volume sales decline in 2014 due to the sharp decrease recorded in volume sales of economy beer. Beer is the biggest category in alcoholic drinks in Kenya and the tax imposed on economy beer in October

2013 saw a decline in volume sales as economy beer prices rose. Leading economy brand Senator Lager experienced a substantial volume sales decline over the review period, affecting overall volume sales.

Alcoholic drinks in Kenya are set to grow over the forecast period, with economic growth expected due to political stability and increased foreign investment in the country (EABL, 2013). Increased business confidence in Kenya is set to promote higher disposable incomes and increased consumer spending on non-essential products. In addition, the growing young population in Kenya will also provide an opportunity for strong growth. Finally, the proliferation of bars, restaurants and hotels is also expected to spur growth in alcohol consumption in Kenya during the forecast period.

## **1.2 Research Problem**

Understanding the forces that shape industry competition is the starting point for developing strategy. Every company should already know what the average profitability of its industry is and how that has been changing over time. The five forces reveal the reason why industry profitability is what it is. Only then can a company incorporate industry conditions into strategy (Porter, 1980). In the five forces, threat of new entrants refers to the threat new competitors pose to existing competitors in an industry. A profitable industry will attract more competitors looking to achieve profits. If it is easy for these new entrants to enter the market – if entry barriers are low – this poses a threat to the firms already competing in that market (Porter, 1980).

Viktória (2010), looked at strategic responses of hospitals in Hungary to a changing environment in the early 2000s, the study found that there are at least two conditions that have to prevail in order to assure a successful and stable operation of the hospital sector: a stable health policy and a more stable financing environment have to be established, where the objectives are clear and stable at least at a middle-term period. Educational programmes and training programmes should be organized to support institutional management. Benchmark examples should be made widely known, and the abilities and knowledge that proved successful in some institutions should be developed in other institutions as well.

Rachelle (2014) did a study on strategic responses to the German excellence initiative a case study of Berlin Humboldt University. The study found that several organizational changes took place that can be considered strategic responses to the Excellence Initiative. A large part of the strategic behaviour was deliberately triggered by the institutional leadership but several changes also emerged from within the institution. This means the university can be considered a strategic actor that is able to act strategically within the boundaries of its institutional norms

Cheungsuvadee (2006), studied strategic response used by small and medium retailers in an increasingly competitive environment in Ubon Ratchathani, Thailand. The study found that, there are major deficiencies in the capabilities of many of the small businesses and that these need to be addressed by Government. Smaller businesses do not have the same access to the resources of larger businesses and chain stores but can become more competitive through effective use of networks or business associations which the government needs to support. The author proposes that an existing government initiative to promote One Tambon One Product could be expanded to provide resources and networks which could be utilized by small ii businesses to become more sustainable and make a greater contribution to the economy.

According to Karim (2006), the old and well established beer industry in Kenya has now been turned on its ear due to factors largely beyond the control of EABL. Distillers and vintners as well as imported and local brews are taking a volume of market share from the EABL and analysts see this trend as continuing in the coming years. This is the reason why in the late 1990s, EABL played the patriotic card to win a marketing war against Castle Breweries which is a subsidiary of SABMiller. In the nasty media campaign that followed, Castle Breweries, which had constructed a multi-million dollar brewery in the industrial town of Thika, was depicted as foreign and uncommitted to Kenya.

Isaboke (2001), who investigated the strategic responses by oil companies in Kenya to the threat of new entrants. The study found that majority of major companies responded to the threat of new entrants by changing products and services offered, the market

segment served and the technology used. In a study of the SACCO in Kenya, Wairegi (2004) studied strategic responses by life insurance companies to changes in the environment. The study established that the industry had responded to changes in the environment through development of new distribution channels such as internet, investment in human resource development and computerization of the core business.

On the other hand Abdullahi (2000), in his study of the strategic responses by Kenyan insurance companies following liberalization found out that although adverse economic reforms in Kenya had made the business environment turbulent, the insurance companies agreed that there was no need to respond to the changes in the environment. From the above local studies little has been done on strategic response to competitive business environment by East African Breweries Limited. Therefore the study seeks to answer the question; what strategic responses are employed by East African Breweries Limited to competitive business environment?

### **1.3 Objective of the Study**

The objective of the study was to determine strategic responses employed by East African Breweries Limited to competition

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

Policymakers will also find this study important as it will help them provide a framework upon which more efficient and effective strategic responses can be built on. Policy makers at various levels of management will gain value added information on adapting business strategies in response to changing competitive environment. For instance, the managers responsible for strategy may use the findings to formulate effective monitoring and control systems to mitigate against the challenges while formulating and adopting business strategies.

The study will be useful to the management the EABL, as it will assist their management practice by systematically building on the strategies that have already been employed. To the beer manufacturing industry and other manufactures in the fast moving consumer goods industry, this study will be a source of reference material to give insights to

management on how to employ strategic responses in addressing business competitiveness in their respective markets.

The study findings will be a source of reference material for future researchers on other related topics and it will provide a basis for further research. Scholars wishing to carry out a further study in the sector can find the resource useful since little has been done on strategic responses adopted by EABL in response to the competitiveness of beer products.

### **1.5 Chapter Summary**

This chapter addresses the main components of this research. These comprise of the background to the study, some discussions on competitive, competitive responses, and some brief overview the alcohol industry in Kenya. It also highlights the inception of East African Breweries Limited and its operations within East Africa. It also identifies the knowledge gap of the study by discussing in the research problem. The chapter also provides the objectives of the study, the importance and value of the study, and eventually the chapter summary.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of the literature on the strategic response to competitive business environment from previous studies and the gap to be closed by this study. The chapter is organized as follows.

#### **2.2 Theoretical Foundation**

This section examines the various theories that are used to inform the study on the strategic response to competition. The study is guided by the following theories; open systems theory, resource-based theory and market-based theory

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

According to Pfeffer and Salancik (2003), Open systems theory refers simply to the concept that organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival. Open systems theory was developed after World War II in reaction to earlier theories of organizations, such as the human relations perspective of Elton in 1945 and the administrative theories of Henri Fayol, which treated the organization largely as a self-contained entity.

Virtually all modern theories of organization utilize the open systems perspective. As a result, open systems theories come in many flavors. For example, contingency theorists argue that organizations are organized in ways that best fit the environment in which they are embedded. Institutional theorists see organizations as a means by which the societal values and beliefs are embedded in organizational structure and expressed in organizational change (Whitley, 1999). Resource dependency theorists see the organization as adapting to the environment as dictated by its resource providers. Although there is a great variety in the perspectives provided by open systems theories, they share the perspective that an organization's survival is dependent upon its relationship with the environment.

Thompson, Strickland and Gamble (2007) argued that in devising and executing a strategy, managers must start with assessing what the organization must do differently to carry out the strategy successfully. That means the firm must make internal changes. They argued that the managerial component in strategy execution involves building the organization with competencies, capabilities and resources, strength to execute strategy successfully, marshalling sufficient money and people to execute strategy, instituting policies and procedures that facilitate strategy, adopting best practices and pushing for continuous improvement on value chain activities, installing information and operating systems that enable personnel to carry out their strategic roles proficiently, tying rewards to achievement of strategic targets and installing a corporate culture that promotes good strategy execution.

### **2.2.2 Resource-Based Theory**

The resource-based view of the firm draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. During the early strategy development phase of Hoskisson's account of the development of strategic thinking, the focus was on the internal factors of the firm. Researchers such as Ansoff (1965) and Chandler (1962) made important contributions towards developing the resource-based view of strategy. From the 1980s onwards, according to Furrer (2008), the focus of inquiry changed from the structure of the industry, e.g., structure-conduct-performance paradigm and the five forces model) to the firm's internal structure, with resources and capabilities. Since then, the resource-based view of strategy has emerged as a popular theory of competitive advantage

The origins of the resource-based view go back to Powell (2001), who suggested that the resources possessed, deployed and used by the organization are really more important than industry structure. The term 'resource-based view' was coined much later by Wernerfelt (1984), who viewed the firm as a bundle of assets or resources which are tied semi-permanently to the firm. Prahalad and Hamel (1990) established the notion of core competencies, which focus attention on a critical category of resource – a firm's capabilities. Furrer (2008) also argued that the resources of a firm are its primary source

of competitive advantage. According to Ramos-Rodríguez (2004), bibliometric study of the Strategic Management Journal over the years 1980–2000, the most prominent contribution to the discipline of strategic management was the resource-based view of strategy.

Researchers subscribing to the resource-based view argue that only strategically important and useful resources and competencies should be viewed as sources of competitive advantage. They have used terms like core competencies distinctive competencies and strategic assets to indicate the strategically important resources and competencies, which provide a firm with a potential competitive edge. Strategic assets are, ‘the set of difficult to trade and imitate, scarce, appropriable and specialized resources and capabilities that bestow the firm’s competitive advantage. Powell (2001) suggested that business strategy can be viewed as a tool to manipulate such resources to create competitive advantage. Core competencies are distinctive, rare, valuable firm-level resources that competitors are unable to imitate, substitute or reproduce. Distinctive competencies refer to all the things that make the business a success in the marketplace.

### **2.2.3 Market-Based Theory**

The market-based theory of strategy argues that industry factors and external market orientation are the primary determinants of firm performance structure-conduct-performance framework and Porter’s (1980) five forces model (which is based on the structure-conduct-performance framework) are two of the best-known theories in this category. The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position. The strategic position is a firm’s unique set of activities that are different from their rivals. Alternatively, the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways. In this perspective, a firm’s profitability or performance are determined solely by the structure and competitive dynamics of the industry within which it operates (Schendel, 1994).

The market-based theory includes the positioning school of theories of strategy and theories developed in the industrial organization economics phase of Hoskisson's account of the development of strategic thinking. During this phase, the focus was on the firm's environment and external factors. Schendel (1994) observed that the firm's performance was significantly dependent on the industry environment. They viewed strategy in the context of the industry as a whole and the position of the firm in the market relative to its competitors.

Bain (2008) proposed the Industrial Organisation paradigm, also known as the structure conduct-performance paradigm. It describes the relationship of how industry structure affects firm behaviour (conduct) and ultimately firm performance. Bain (2008) studied a firm with monopolistic structures and found barriers to entry, product differentiation, number of competitors and the level of demand that effect firm's behaviour. The structure conduct-performance paradigm was advanced by researchers and explained why organisations need to develop strategy in response to the structure of the industry in which the organisation competes in order to gain competitive advantages.

In formulating strategy, firms commonly make an overall assessment of their own competitive advantage via an assessment of the external environment based on the five forces model. The five forces under consideration consist of the following: barriers to entry, threat of substitutes, bargaining power of suppliers, bargaining power of buyers and rivalry among competitors. In this perspective, a firm's sources of market power explain its relative performance (Powell, 2001). Three sources of market power are frequently highlighted: monopoly, barriers to entry, and bargaining power. When a firm has a monopoly, it has a strong market position and therefore performs better. High barriers to entry for new competitors in an industry lead to reduced competition and hence better performance.

### **2.3 Strategic Responses to Competition**

Organizations are environment dependent and serving Ansoff and McDonell (1990), noted that strategic responses involve changes to organization's strategy behaviour to assume success in transforming future environment. Strategy is a bridge between the

firm's resources and the opportunities and risks the firm faces in the environment. It incorporates the competitive moves and approaches to deliver the best performance and satisfaction to all stakeholders. The choice of the responses depends on the speed with which a particular treat or opportunity develops in the environment. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining competitive edge. Some of the strategic response may include development of; new products, new markets, new process, new service, new strategies for entering the market, restructuring, marketing, information Technology, leadership and culture change.

### **2.3.1 Organizational Restructuring**

Activities within a business value chain are more critical to the success of the business strategy than others. Business process reengineering popularized by consultants (Hammer, 1996) is one popular method. Business process reengineering is intended to regularize a company so that it can best create value for customer by eliminating barriers that create distance between employees and customers. It involves fundamental rethinking and radical redesign of business process to achieve dramatic improvements for instance, cost, quality service and speed. Reengineering and value orientation have led to downsizing, outsourcing and self-management as themes of influencing original structure. Downsizing is eliminating the number of employee's particularly middle level management. It results to increased self-management, larger span control and more work for those that remain.

Outsourcing means obtaining work that was previously done by employees inside organization from sources outside the company who can perform better. It is a source of competitive advantage. Activities that can be outsourced include; information processing, various personnel activities, security among others. Restructuring also entails removal of structural barriers and creation of learning organizations capable of continued re-generation from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose of vision (Rugman & Verbeke, 2000).

### **2.3.2 Use of Information Technology**

The computer and developments in Telecommunication are most important aspects of Information Technology (IT) that have transformed business environment and processes. Automation of business processes has led to a drastic improvement in productivity and reduction in costs while Telecommunications has improved the speed with which information is transmitted thus facilitating speedy decision making. IT has become indispensable ingredient in organizations in several strategic to meet challenges of change they include internet, intranets that support business operations and using it in Business process reengineering. Information Technology is also used to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry (O'Brian, 2002).

### **2.3.3 Marketing Strategies**

Marketing can be defined as a societal process by which individuals and groups obtain what they need and want in through creating, offering and freely exchanging products and services of value with others (Kotler, 2000). It can also be defined as the process of planning and exercising the concept of pricing, promotion and Distribution ideas, goods and services to create exchanges that satisfy individual and organizations objectives. Marketers' argue that the company assets have little value without the existence of customers. The key company task therefore is to attract and retain customers. Customers are attracted through competitive superior offering and retained through satisfaction. A marketer's task is to develop a superior offering and deliver customer satisfaction. Organizations therefore need to embrace marketing concepts that rest on five pillars namely; marketing focus, integrated/coordinate marketing, profits and competition.

The company must define the boundaries of its markets. It should know those customers that are members of their market. This can be done through a process known as segmentation. The company should determine the needs and wants of the customers from the customers' point of view but not the company's (Kotler, 2000). Customers' needs must be identified and satisfied as these results into customer loyalty which is a source of company goodwill. The marketing function, where the various marketing functions such

as advertising, marketing research, sales and branding must work together. They must be well coordinated from the customer's point of view.

There should be a company-wide orientation where marketing must be embraced by all other departments. They must think customer. Marketing is not a department but rather a companywide orientation. Teamwork must be fostered among all departments. This requires the practice of internal as well as external marketing. Whereas the latter is directed at people outside the firm, the former is the task of hiring, training and motivating employees to serve customers well. Internal marketing must strengthen external marketing. Managers must consider customers as the true profit centers hence adopt a modern organizational chart. The ultimate purpose of the marketing concept is to help organizations achieve their objectives (Kotler, 2000). In the case of private firms, the major one is profit.

#### **2.3.4 Leadership and Culture**

According to Kotler (1990), the potential of changing the culture of a government is influenced by the beliefs of strategic leaders and the extent of strategic need. Leadership is about coping with change. Leadership has become very important in recent years due to businesses becoming more competitive and volatile. (Pearce & Robinson, 2002), indicates that organizational leadership involves action in first guiding the organization to deal with constant change by embracing change, clarifying strategic intent and shaping culture to fit with opportunities and challenges that change afterwards. Also it entails identifying and supplying the organization with operating managers prepared to preside over leadership and vision.

Organizational culture is a set of important assumptions, often unstated that members of an organization share in common (Whitley, 1999). Organizational culture similar to an individual's personality is an intangible yet ever present theme that provides meaning, direction and the basis of action. Insightful leaders nurture key themes or dominant values within organizations that reinforce the competitive advantages they possess or seek, such as quality, differentiation, cost and speed. Most typical beliefs that shape organizational culture is belief in being the best; belief in superior quality and service,

belief in importance of people as individuals and a faith in their ability to make a strong contribution, importance of details of execution and customers should reign supreme.

#### **2.4 Empirical Studies and Research Gaps**

According to Narayanan and Fahey (2013), finding, critical strategic decisions require attention to global macro environmental forces, which some firms conveniently ignore at their own peril. In their study of the TV manufacturing industry, observe that the now defunct Admiral Company turned a blind eye to the actions of emerging competitors at a time when rivalry was heating up due to the maturing of the product life cycle.

Customer needs, customer expectations and customer behaviour are constantly changing, thereby driving companies to give special attention to their markets and the business environment, which they should monitor continuously. Silva and Marques (2009), found in a study developed to identify the effects of each dimension of market orientation on performance involving a sample of 192 Portuguese companies that managers should give more attention to cross-functional co-ordination in order to improve market intelligence dissemination and responsiveness and, thus, performance. The study defined market orientation as the group of activities and cross-functional processes driven from the focus on customers' satisfaction through the continuous evaluation of their needs.

Porter (1998) acknowledged that competition is at the core of success or failure of organizations. Technological advancement as well as more educated and discerning customers has also compounded the challenges that impact on banks. To adapt to the changed environment and attain competitive advantage, commercial banks have to come up with competitive strategy in search of favourable competitive positions in the industry. Gathoga (2001) in his study, focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive, he also concluded that expansion into other areas by opening new branches has also, been used as a strategy.

Kiptugen (2003) established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change, while Atheru (2007) found out that Kenya Meteorological Department did not have adequate capacity to respond to the needs of their customers. However, studies on the competitive responses adopted by beverage industry in Kenya to cope with changes in the environment, has not been done especially in regard to the intense competition witnessed presently. From the local studies above little has been done on strategic response by East African Breweries Limited to competition hence the research gap.

## **2.5 Chapter Summary**

This chapter reviewed pertinent literature on strategies adopted by firms to respond to competition. The source of the literature was mainly from scholarly journals that are peer-reviewed, books, magazines and other relevant publications. The main highlights on this chapter consist of the theoretical foundation; which discusses the theories applicable in the study. These theories are identified as Open System Theory, Resource-Based Theory and Market Based Theory.

According to Pfeffer and Salancik (2003), Open system theory refers to the concept that organizations are influenced by their environment. Competition is part of the external environment among other forces which include the political, economical, social economic and legal environment. The Resource based theory draws attention to the resources that the organization posses and which can be employed to compete in the environment. The Market Based theory focuses on the industry factors and external market orientations

The chapter further discusses the main components of the study which is competition and the strategies employed to respond to competition. Organizational restructuring, use of information technology, marketing strategies, leadership and culture are the strategies used in responding to competition that have been discussed in this study. The chapter also discussed the empirical studies conducted on competitive strategies adopted by various firms to achieve competitive advantage at local, regional and international/global arena.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter outlines the methods used in the study. It contains the research design, data collection, and data analysis.

#### **3.2 Research Design**

This research was conducted as a case study. A case study is preferred because it enables the researcher to have an in-depth understanding of adopting a business strategy in response to changing competition at East African Breweries Limited. According to Saunders, Lewis and Thornhill (2009), research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

#### **3.3 Data Collection**

Data was collected using questionnaires, which was administered to 10 strategic Managers at East African Breweries Limited as the respondents. An interview guide was used as it will enable 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. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back (Copper & Schindler, 2006).

#### **3.4 Data Analysis**

Data collected was both quantitative and qualitative. On receiving the questionnaires, the data collected was checked and edited to ensure completeness, consistency, accuracy and uniformity. Quantitative data analysis was conducted using descriptive statistics, which usually includes measures of central tendency, measures of variability, measures of reliability and frequency among others. Qualitative data from the questionnaires were analyzed using content analysis (It is used when one has sets of existing written or visual documentation which require analysis) (Carol, 2007).

According to Mugenda and Mugenda (2003), descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics. Measures of central tendency usually give the expected score or measure from a group of scores in a study. Measures of variability, such as standard deviation inform the analyst about the distribution of scores around the mean of the distribution. Frequency distribution shows a record of the number of times a score or record appears.

### **3.5 Chapter Summary**

This chapter addresses the research methodology of this study, which comprises of research design, target population, and data collection procedures and data analysis method. The study used content analysis to identify the strategies that East African Breweries employ to respond to competition. The researcher examines the relationship that existed among the variables in the study, namely; competitive strategies (Organizational restructuring, use of information technology, marketing strategies, leadership and culture) as the independent variables. The dependent variable is competition.

Data was collected using an interview guide which was administered to 10 managers who hold strategic positions. Data collected was more qualitative and hence analysed using content analysis.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents data analysis and discussions. The study objective was to establish the strategic response by East African breweries limited to competition. Primary data was collected using an interview guide which was administered to 10 Managers at East African Breweries Limited as the respondents. The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnect as was indicated by the respondents. The data was analyzed based on the objectives of the study and the findings are as presented as per the different classes underlined below.

#### **4.2 Research Findings**

##### **4.2.1 Strategy Formulation**

The study established that East African Breweries Limited had periodic strategic plans and the company was targeting to be the number one drinks company in Eastern Africa. Every year the senior executives would hold a strategy seminar whereby they would break down the long-term plans into annual plans. The annual targets would then be cascaded down such that each business area would have its annual targets. The annual targets would be cascaded down from the senior business executives to each individual such that each individual would be aware at the beginning of the financial year what they would be expected to contribute for the company to achieve its goals. At the business and departmental level the goals would be captured by a mission statement and at the individual level the goals would be captured by performance commitments known as 'Partners for Growth'. These performance commitments would form the basis of performance evaluation at the end of the year which would determine the salary increments and bonus payments to members of staff.

#### **4.2.2 Organizational Restructuring as a Strategic Response**

Organization structure is another pertinent factor that influences the adoption and implementation of strategy. Corporate culture can inhibit or enhance the adoption and implementation of business strategy as well as manager's knowledge and attitude and industry competition which sometimes tends to push companies to act in certain ways to remain competitive.

Managements' strategic thinking abilities originate from instinct and analytical understanding regarding the future of the organization. For EABL to achieve its vision and move towards its strategic intent, a critical requirement for success and progress is to gain support from sectional heads in the development and implementation of strategic activity. The company's management plays a critical role by ensuring that it survives in an environment where industry competition affects all their activities.

East African Breweries Limited had outsourced most of its non-core activities as part of its strategy. The company had outsourced services like casual and temporary human resource management, payroll processing, fleet management, product distribution, clearing, information technology hardware management, security, cleaning and catering. The need to outsource arose from the need to reduce cost in order to remain profitable occasioned by low economic growth and also to improve efficiency. In addition outsourcing would also help to meet changing consumer needs since the non-core activities which would take up a lot of management time would be removed from them allowing them time to concentrate on consumer needs.

According to the interviewees, the EABL has a very strong and educated management team. They frequently carry out strategic planning process which is an annual event that is highly formalized, rational and analytical so that to come up with ideas of how to progress the company. The group-managing director of EABL plays a dominant role in strategic planning and is a very influential figure in providing the right culture. Strategic plans are developed by top management, functional and operational staff. EABL's planning management team integrates business experience and intuition with rigorous analysis. Factors such as organizational size, complexity, degree of competition, the need

for internal consistency and comprehensiveness help them determine how formal or informal the planning system will affect the company.

The marketing function plays a key role in strategic planning. However, much emphasis is placed on marketing research and financial analysis tools. The management meet for strategic planning at both corporate and business levels. However strategies at both levels are interrelated. All the parts of the business work to accomplish the over-riding EABL's corporate mission. Implementation of results is routinely and rigorously measured and creative methods for encouraging breakthrough thinking are used to collect data to feed on to strategy response development.

#### **4.2.3 Use of Information Technology as a Strategic Response**

The computer and developments in telecommunication are most important aspects of Information Technology (IT) that have transformed business environment and processes. The respondents stated that the advances in technology has led to a drastic improvement in productivity and reduction in costs. Telecommunications has improved the speed with which information is transmitted thus facilitating speedy decision making. East African Breweries has engaged itself in information technology where the technology has become indispensable ingredient in the company in several strategies that has enabled it to meet challenges of change. They stated some of them which include internet and intranets. This supports the company's business operations and they use it in business process reengineering. The company also uses Information Technology to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry.

The company had rolled out a new information system across its business. The system referred to as Systems Applications and Products in data processing had been implemented to cover the business processes on an end-to-end basis that is from production to financial reporting. The implementation had cost the company Kshs. 1 billion and was expected to deliver simpler, faster and better operations for the company. The system had been in response to the need for a streamlined system, enhanced accountability, robust internal controls and provision of real time data for decision

making triggered by availability of new technology. The company had also put in place new technologies for production among its subsidiaries. In Kenya Breweries Limited, the company had put in place a new keg line to boost production of Senator Keg. In United Distillers and Vintners, the company had put up a new spirits line to boost production of the spirits. In Uganda Breweries Limited, the company had invested in new dual-purpose vessels to be used in fermentation and storage of beer in a bid to boost its capacity in order to meet consumer demand. In Central Glass Industries, the company had put up a new furnace and in East African Maltings Limited, a new malt house had been constructed. These were to replace obsolete equipment in the production of glass and malting of barley.

#### **4.2.4 Marketing Strategies as a Strategic Response**

Marketing strategies is the process of planning and exercising the concept of pricing, promotion and distribution ideas, goods and services to create exchanges that satisfy individual and organizations objectives. East African Breweries Limited has implemented marketing strategies since the company assets have little value without the existence of customers. The interviewees explained that the key company task of this implementation was to attract and retain their customers. Customers are attracted through competitive superior offering and retained through satisfaction. East African Breweries limited marketer's task is to develop a superior offering and deliver customer satisfaction.

The company had effected this strategy by exporting its brands to other countries. The company had continued to invest in aggressive marketing campaigns. Despite, Keroche Breweries being a weaker competitor in beer brewing in Kenya, the company faced competition from some imported brands like Heineken, Stella Artois, Sierra and Windhoek. In addition there were competitors in the spirits line like London Distillers and Kenya Wine Agencies Limited. There was also the threat of new entrants because the Kenyan economy was still liberalized and unless East African Breweries Limited ensured that its brands were at the top of consumers' minds new entrants would always pose a major threat. East African Breweries Limited would also run marketing campaigns according to business cycles because seasons like Christmas and Easter would fetch high sales volumes. East African Breweries Limited had therefore continued to run

advertisements and promotions that always remind consumers of their presence. It had penetrated the new markets especially using its flagship brand, Tusker. The company had entered countries like Djibouti, Sudan, Rwanda, Australia, Japan, USA, Canada and United Kingdom in response to the opportunities created by globalization, liberalization and stabilizing political conditions especially in Sudan and Rwanda.

East African Breweries Limited applied differentiation strategy by matching consumer motivations with the brand image. Brand image involved the social perceptions like masculine, feminine, older, young, personalities like fun loving and product features. Tusker was associated with patriotism in Kenya while Bell and Uganda Waragi were associated with patriotism in Uganda. Tusker Malt lager and Johnnie Walker spirits were associated with people who seek status and prestige. Smirnoff ice and Baileys were associated with ladies. White Cap was mostly perceived as a beer for the older generation while Guinness was for starters. The company also differentiated its products by outlets and matched its advertising and promotions by the outlets. Outlets were ranked by the income levels of the patrons and locations. The five star restaurants and pubs would only stock high-end beers and spirits associated with status like Tusker Malt Lager, Baileys, Johnnie Walker, Smirnoff and Tusker. On the other hand local estate pubs would not have the status brands and instead they would stock the lower end brands and the affiliation brands like Tusker, Pilsner and Senator. In the very low-income areas like the slums, the only brands available would be Senator Keg. The high end pubs would not run promotions and would not even have posters advertising while in the low end pubs the promotions would form a key activity.

#### **4.2.5 Leadership and Culture as a Strategic Response**

Leadership has become very important in recent years due to businesses becoming more competitive and volatile. Organizational culture is a set of important assumptions, often unstated that members of an organization share in common. The respondents quantified that leadership and culture has affected the company in various ways. In the company's leadership, the East African Breweries Limited involved action in first guiding the company in dealing with constant change by embracing change, clarifying strategic intent and shaping culture to fit with opportunities and challenges that change afterwards. The

company's culture has been kept moving by certain beliefs which include the belief in being the best; belief in superior quality and service, belief in importance of people as individuals and a faith in their ability to make a strong contribution, importance of details of execution and customers should reign supreme. This has enabled the company stay strong in the competitive environment.

The potential of changing the culture of a government is influenced by the beliefs of strategic leaders and the extent of strategic need. Under this question, the respondents stated that culture is an intangible yet ever present theme that provides meaning, direction and the basis of action in the company. Culture helps them nurture key themes or dominant values within the company. It also helps them reinforce the competitive advantages they seek, such as quality, differentiation, cost and speed. They explained that most typical beliefs that shape the company's culture is belief in being the best; belief in superior quality and service, belief in importance of people as individuals and a faith in their ability to make a strong contribution, importance of details of execution and customers should reign supreme.

#### **4.3 Discussion of the Findings**

The study sought to know if there was adequate financial resources to implement the response strategies. The findings indicated that the company had sufficient resources to perform its response strategies. They stated that there has been a high demand of the product for the past five years and that production has been increasing every year. This concurs with Kagwe (2012) findings where he stated that for a business to thrive and be able to compete with its competitors, it must have adequate finance that will keep it moving. He also stated that the implementation of strong response strategies requires a huge capital to keep a business in line with the others.

The study found the influence of government in the implementation of strategic response. The interviewees stated that EABL has been unable to control the price for which the alcoholic beverages are sold at retail outlets because of government's effects. The government regulates the specific areas where bars should operate and the specific time when bars should be opened. Taxation and uncertainty in the retention of the current

taxation level has affected the future profitability of this industry. East African Breweries Limited has taken control of setting of alcoholic beverages prices paid by the consumer at the same time as maintaining their standard margins. They also stated that the Government has had an influence on the pricing of alcoholic beverages through monetary policy. This has led to uncertainty in value of the shilling in relation to other currencies in term of export market. This is in line with Wagner (2009), who stated that Government influence affects many businesses in a country. He stated that imposition of heavy tax affects businesses negatively.

The study found how outsourcing affects the company's competition. The interviewees indicated that outsourcing has helped the company increase efficiency, improve service quality, accountability, value, decrease lead counts and cash infusion and gain access to world class capability and sharing. By outsourcing the company has been able to save on capital investments, and thus it has reduced financial risks. East African Breweries Limited is able to concentrate on its core objectives after outsourcing some of its services. This is in line with Porter (2003) who stated that outsourcing would also help to meet changing consumer needs since the non-core activities which would take up a lot of management time would be removed from them allowing them time to concentrate on consumer needs.

The study also found how EABL survive during a period of rapid business competition. It stated that management has already built up its market over time where decision on the overall entry strategy differ in aggressiveness, risk and the amount of control that the firm is able to maintain. Many strategies existed with differing levels of company's involvement where the level of involvement and decision making are positively related to the level of risk and control the company wished to undertake. The strategic decision on entry is made and it fundamentally benefits the firm, including its operations and its management. The decision to stay in the market and compete remains an important innovation. This concurred with Andexer (2008) who stated if nobody is competing in your business space, there's a very good chance the market you're going into is too small.

The study found the challenges faced by EABL in Kenya. It stated that the challenge that the company faces is outsourcing for alternative power sources. The company's operation costs are increased because of the problem with power generation in Kenya. Frequent black outs make the company spend a substantial amount of its income on alternative sources of power. Kenya's poor road network is also a challenge that negatively affects the operations of EABL. Poor road network makes it difficult to distribute its finished products. The company's operations are further affected by exorbitant increases in the price of grains and the rising cost of fuel. The findings concur with Bendor (2005) who states that business challenges affect the business in a negative manner.

The study also found the factors that influence the adoption and implementation of business strategies in EABL. Some of the factors identified include the availability of resources i.e. finances, time, organization structure and personnel. This do vary from one strategy to the other hence making it a fundamental factor determining the adoption and implementation of a strategy. Managements' strategic thinking abilities originate from instinct and analytical understanding regarding the future of the organization. This is in line with Dekkers (2011) who states that manager's knowledge and attitude is important in industry competition which sometimes tends to push companies to act in certain ways to remain competitive in response to the adoption and implementation of strategic response.

The study also found the effect of rapid advances in technology in EABL. It indicated that aspects of Information Technology (IT) have transformed business environment and processes. The interviewees stated that the advances in technology has led to a drastic improvement in productivity and reduction in costs. Telecommunications has improved the speed with which information is transmitted thus facilitating speedy decision making. East African Breweries has engaged itself in information Technology where the technology has become indispensable ingredient in the company in several strategies that has enabled it to meet challenges of change. This is in line with Gilley (2006) findings who stated that technology has been in response to the need for a streamlined system, enhanced accountability, robust internal controls and provision of real time data for decision making in every business.

#### **4.4 Chapter Summary**

This chapter presents the analysis of the data, the results and eventual discussion based on the study's research objectives and research methodology. These analysis of the data, results and discussions are derived from the interview guide questions formulated for this study. The response from the target population of the study forms the basis for this chapter. The interview guide comprises of both open ended and close ended questions. The response rate achieved in this study was 80%, it was quite successful. The study targeted the 10 managers who are involved in strategy formulation.

The empirical results of this study indicated that the different competitive strategies undertaken by East African Breweries Limited have had an impact on the success of the organization. The company has managed to respond to competition from new entrants, and imports and has been able to retain and expand its market share in Kenya. In conclusion the chapter has discussed all the aspects contained in the literature review of this study.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents a summary, conclusions and recommendations of the study. This study focused on strategic response by East African breweries limited to competition.

#### 5.2 Summary of the Findings

From the findings, business competition is the rivalry among business people trying to achieve such goals as increasing profits, market share, and sales volume by varying the elements of the marketing mix: price, product, distribution, and promotion. It can also be defined as the dynamic system in which a business competes and functions.

From the findings, financial implications are very important since every response strategy needs finance. Before going into business, a business company needs to secure sufficient financial resources in order to be able to operate efficiently and sufficiently to promote success. Strategic response include development of; new products, new markets, new process, new service, new strategies for entering the market, restructuring, marketing, information technology, leadership and culture change. Adequate finance is required in business since a business cannot thrive without money. A good choice of response strategy accompanied by lack of funds to support the program is futile.

From the findings, external environment is made up those factors that are beyond the firm's control but which affect its operations. These factors include; political, economic, socio-cultural, technological, ecological and legal variables. The findings show that the external environment is uncontrollable and the company has to match its operations to the external environment in order to survive and succeed.

From the findings, outsourcing improves a firm's competitiveness. It has helped EABL increase efficiency, improve service quality, accountability, value, decrease lead counts and cash infusion and gain access to world class capability and sharing. By outsourcing the company has been able to save on capital investments, and thus it has reduced financial risks. The company is able to concentrate on its core objectives after

outsourcing some of its services. Nevertheless, it is hard for the company to survive without the services offered by the department and so it outsources the crucial services that require experts.

From the findings, EABL has implemented downsizing since its benefits persists. Downsizing eliminates redundancies and reduces employment costs. This practice has helped the company compete efficiently and improve profitability. Downsizing strategy has offered the best option for long-term, sustainable performance. In addition, successful downsizing goes well beyond simply reducing total staff numbers and changes to the company's structures. The company has implemented marketing strategies since the company assets have little value without the existence of customers. The key company task of this implementation is undertaken to attract and retain customers. Customers are attracted through competitive superior offering and retained through satisfaction.

The study found how EABL manages to survive during a rapid business competition. The interviewees stated that many strategies exist with differing levels of company's involvement where the level of involvement and decision making is positively related to the level of risk and control the company wishes to undertake. The strategic decision on entry is made and it fundamentally benefits the firm, including its operations and its management.

Finally, the study found out that EABL faces various challenges. These are; exchange rate fluctuations, high operation costs, poor road network and increasing costs of raw material inputs. All these challenges affect the company's operations negatively hence leading to low production and hence lowering the level business performance. The interviewees indicated that despite all these challenges, the company has been doing its best to meet its customer's needs and remain as the leading alcohol company in East Africa.

### **5.3 Conclusion**

EABL had employed a great mix of strategic responses in various facets of the business in order to cope with competition. Though not clearly distinct, the strategic responses adopted by EABL seemed to be in line with the Pearce and Robinson's (2006) grand strategies namely concentration, market development, product development, innovation, integration, joint venture, diversification, turnaround, divestiture and liquidation. In addition the company had adopted other recent strategies like outsourcing and shared services centers.

EABL has been one of the most successful companies and in Kenya it dominates the beer and spirits industry. The company has managed to get ahead of its competitors. However, the company still finds it necessary to engage in response strategies. The company still monitors changes in the environment and put in strategic responses to address the changes. From the findings of the study therefore, strategy is still important for a company that has managed to beat its competitors and dominate the market. This is because environmental changes can still drive the company out of the market and force it to wind up. Therefore, strategic responses to competition are very important for a company to survive and remain profitable in the industry.

### **5.4 Recommendations**

EABL has been very successful in its strategic responses and has managed to dominate the spirits and beer industry. However, EABL's vision is to be the number one drinks company in the World. The company seems to focus mainly on the alcoholic drinks but in order to achieve its vision it needs to increase its attention on the non-alcoholic drinks. The only non-alcoholic drink that is produced by the company is Malta Guinness. The company therefore needs to engage its resources to understand the non-alcoholic drinks industry and devise strategies to compete effectively in that industry as well if it needs to be the leading company internationally.

### **5.5 Implication on Policy and Practice**

Some of the findings in this study call for a review in some of the policies and practices that are undertaken on strategic response by East African breweries limited to competition. This study is important to policymakers because it will help them provide a framework upon which more efficient and effective strategic responses can be built on. Policy makers at various levels of management will be able to gain value added information on adapting business strategies in response to changing competitive environment. For instance, the managers responsible for strategy may use the findings to formulate effective monitoring and control systems to mitigate against the challenges while formulating and adopting business strategies.

The management of EABL should use this study as it will assist their management practices by systematically building on the strategies that have already been employed. To the beer manufacturing industry and other manufactures in the fast moving consumer goods industry, this study will be a source of reference material to give insights to management on how to employ strategic responses in addressing business competitiveness in their respective markets.

### **5.6 Limitations of the Study**

I encountered several challenges that tended to hinder access to information sought by the study. The findings of this research were limited due to some factors arising in the course of the study. The biggest challenge in conducting the study was due to the fact that the company likes to keep its strategies confidential because they would use them to gain competitive advantage. Therefore, the respondents were not very willing to disclose their strategies in some cases or give details of how they have implemented their response strategies.

The time available for this study was also limited and especially in data collection considering the interview method of data collection. The other challenge was on accessing all the 10 managers since at the time of the study, most of them were attending a conference that was held in Uganda. Therefore, in some cases the study relied on data from middle level managers, which may have limited the research findings. Lastly, this study focused on management only while the company's stakeholders are many. The findings of this study are therefore limited to the views from management.

### **5.7 Suggestion for Further Research**

The study focused on strategic response by East African breweries limited to competition. Competition affects all companies within a given location. This is because every company seems to be a threat to the other. A further study should be carried out to understand the various strategic responses carried out by different companies that are affected by competition.

Different companies respond to competition in different ways. EABL has applied the strategic responses identified in this study. In order to gain a full understanding of why EABL has chosen to use these strategies, a further study should be carried out. This would focus on the strategic responses available and why EABL has chosen to use the responses it has adopted.

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## **APPENDIX: Interview Schedule**

### **Background Information of Respondents**

1. What is your job title in East African breweries limited?
2. For how long have you worked with East African breweries limited?
3. Which is your highest level of education?

### **Strategic Response to Competition**

1. Could you please explain how you view a competition?
2. Do you consider the financial Implications in choosing strategies?
3. Does your company have enough financial resources to implement the response strategies?
4. What is the influence of government policy in implementation of strategic responses by East African breweries limited?
5. What is the influence of culture change to competition of East African Breweries Limited?
6. Can you explain how East African Breweries Limited has been affected by the rapid advances in technology?
7. Can you explain how East African Breweries Limited has been affected by organizational restructuring?
8. What are the changes in the external environment that affect the effectiveness of strategic response to business competition in East African Breweries Limited?
9. How does outsourcing affect East African Breweries Limited competition?
10. Does East African Breweries Limited implement downsizing as a strategic response to competition?
11. Does East African Breweries Limited implement marketing strategies as a strategic response to competition?
12. Does leadership and culture have effect on East African Breweries Limited competition?
13. What are the weaknesses, Strength, Opportunities and threats in your organization?.
14. Could you please explain how you have managed to survive during a period of rapid business competition?

15. What are some of the challenges that alcohol industry is currently facing in Kenya?
16. Does your company have appropriate and adequate management to implement the strategic responses?
17. What major factors influence the adoption and implementation of business strategies in your organization?
18. How often do you review response strategies adopted by your organization?
19. Does your company consider the competition from other players in the industry before formulating business strategies?
20. What do you think about the future for alcohol industry in Kenya?