

**RESPONSE STRATEGIES TO MALNUTRITION  
CHALLENGES BY INSTAPRODUCTS (EPZ) LIMITED IN  
KENYA**

**BY**

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**A RESEARCH PROJECT SCBMTTtfl) IN PARTIAL  
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# DECLARATION

This Research Project is my original work and has not been submitted for examination to any other University.



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



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## **DEDICATION**

This research project is dedicated to my wife Harriet and my two sons, Enrique Muritln and Elmer Mutethia. You have been a big source of inspiration since I started this long journey and also my principal motivation to keep on striving higher for excellence.

## **ABSTRACT**

Firms meet various challenges in their area of operation due to environmental turbulences. These firms have to respond to these turbulences by applying various response strategies for them to survive in the business. Firms are using strategic management to respond to challenges brought about by the environment. Instaproducts (EPZ) Limited has responded to malnutrition challenges by applying various response strategies hence its survival for the last 20 years. Malnutrition and its associated disease conditions can be caused by eating too little, eating too much or eating unbalanced diet that lacks necessary nutrients.

In Kenya, the number of undernourished people stands at 10 million according to Action Against Hunger Website. The title of the study is the response strategies to malnutrition challenges by Instaproducts (EPZ) Limited in Kenya. The research objective is to determine the malnutrition challenges by Instaproducts (EPZ) Limited in Kenya and its response strategies to these malnutrition challenges. The company is able to cater for 5% of the malnutrition cases in Kenya. The malnutrition challenges it faces includes: Insufficient access to food due to insufficient rainfall hence drought; inadequate dietary intake due to few food varieties and lack of information through education; inadequate materials and child-care practices which involves mother feeding and breast feeding education; poor public health and inadequate health services ( which involves drinking untreated water, poor sanitation and hygiene especially to slum dwellers which can result to diarrhea); high population; high food prices; political ideologies; technology and diseases. The response strategies it uses are discussed.

# TABLE OF CONTENTS

Declaration.....	ii
Acknowledgement.....	iii
Dedication.....	iv
Abstract.....	v
List of Abbreviations.....	ix
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the study.....	1
1.1.1 The concept of strategy.....	1
1.1.2 Response Strategies.....	2
1.1.3 Malnutrition in Kenya.....	3
1.1.4 Instaproducts (EPZ) Limited in Kenya.....	4
1.2 Research Problem.....	5
1.3 Research Objective.....	7
1.4 Value of the Study.....	7
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>18</b>
2.1 Introduction.....	9
2.2 Concept of strategy.....	9
2.3 Strategic Management.....	12
2.4 Organization and the environment.....	15
2.5 Organizational Responses.....	18
2.5.1 Strategic Responses.....	19

2.5.2 Operational Responses.....	21
<b>CHAPTER THREE: RESEARCH METHODOLOGY.....</b>	<b>24</b>
3.1 Introduction.....	24
3.2 Research Design.....	24
3.3 Data Collection.....	24
3.4 Data Analysis.....	25
<b>CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION.....</b>	<b>26</b>
4.1 Introduction.....	26
4.2 General information.....	26
4.3 Malnutrition challenges and its Response.....	28
4.3.1 The causes of malnutrition.....	28
4.3.2 Influence of the three levels of environment to malnutrition challenges and its responses.....	32
4.3.3 Conclusion of the findings.....	43
<b>CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSION..</b>	<b>44</b>
5.1 Introduction.....	44
5.2 Malnutrition challenges and its response strategies.....	44
5.2.1 Causes of Malnutrition.....	44
5.2.2 Environment influence in response to malnutrition challenges.....	46
5.2.3 Conclusion of the findings.....	49
5.3 Recommendations.....	49

5.4 Limitations of the study.....50

5.5 Suggestions for further research.....51

**REFERENCES.....52**

**APPENDICES.....56**

APPENDIX I: LETTER OF INTRODUCTION.....56

APPENDIX II: INTERVIEW GUIDE.....57



## LIST OF ABBREVIATIONS

<b>AIDS</b>	Acquired Immunodeficiency Syndrome
<b>BVQI</b>	Bureau Veritas
<b>CARE</b>	Cooperative for Assistance and Relief Everywhere
<b>CEO</b>	Chief Executive Officer
<b>CSB</b>	Corn -Soya Blend
<b>EPZ</b>	Export processing zone
<b>FAO</b>	Food and Agriculture organization
<b>GMPs</b>	Good Manufacturing Practices
<b>HACCP</b>	Hazard Analysis and Critical Control Points
<b>HIV</b>	Human Immunodeficiency Virus
<b>IDPs</b>	Internally Displaced Persons
<b>KEBS</b>	Kenya Bureau of Standards
<b>KRA</b>	Kenya Revenue Authority
<b>MSF</b>	Medicins Sans Frontieres
<b>NGOs</b>	Non-Governmental Organisations
<b>NHIF</b>	National Hospital Insurance Fund
<b>NSSF</b>	National Social Security Fund
<b>OXFAM</b>	Oxford Committee for Famine Relief
<b>PAYE</b>	Pay As You Earn
<b>SGS</b>	Societe Generale de Surveillance
<b>SWOT</b>	Strengths. Weaknesses, Opportunities, Threats
<b>UN</b>	United Nations

United Nations Children Fund

United States of America

United States Agency for International Development

World Food Programme

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

A host of external factors influence a firm's choice of direction and action and ultimately, its organizational structure and internal processes (Pearce and Robinson, 1997). For organizations to achieve their goals and objectives, they have to constantly adjust to the environment (Pearce and Robinson, 1997). The environment is always in turbulences (Ansoff and McDonnell, 1990). It is these turbulences that cause difficulties, uncertainties and unpredictability in firm's operations as well as influence the firm's strategy(ies) and strategic choices. Adapting to the environment and responding to it ensures survival for the organization. Firms are using strategic management to respond to challenges brought about by the environment. Instaproducts (EPZ) Limited has used strategic management to respond to malnutrition challenges in Kenya, and it has survived for the last 20 years responding to malnutrition challenges which is brought about by these environmental turbulences as the case study I am undertaking will show us the response strategies they use.

#### 1.1.1 The concept of strategy

Thompson and Strickland (1993) define strategy as the game plan management has for positioning the company in its chosen market area, competing successfully, pleasing customers and achieving good business performance. Porter (1998) defines strategy as that which gives the organization competitive advantage over the players in the industry.

To attain competitive advantage, Porter argues that an organization has to outperform its competitors in carrying out its objectives so as to make gains to itself while the rest share the losses and may deem it not viable to be in business. The postulation is based on the promise that organizations operate in an open environment set-up and that they have a lot of characteristics in common and they continuously compete for the same resources and share the customers as well.

### **1.1.2 Response Strategies**

Responses of any organization can be both strategic and operational. The link between overall strategy and operational aspects of an organization is important because if the operational aspects of the organization are not in line with strategy, then no matter how well considered, the strategy will not succeed. Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that results in the formulation and implementation of plans designed to achieve a firm's objective.

Ansoff (1990) noted that strategic responses involve changes in the firm's strategic behaviours to assure success in the transforming future environment. Strategic response is thus a reaction to what is happening or expected to happen in the environment. Fubara (1986) observed that an environment which constantly upset a plan, demands for a continued response in terms of planning and constant monitoring of that environment.

The goals of a response strategy for any business unit in an industry is to find a position where it can best defend its interests against all the competitive forces or influence them

in its favour ( Strage, 1992; Porter, 1980; Mwai, 2001).Their survival depends on their response capability(ies) in building or enhancing their competitive advantage.

For operational responses, the nature and tasks undertaken by the operating core of the organization has an important influence on the various aspects of the organizational design and control. An operation is core function of the organization and continuously manages the flow of resources through it. In many organizations, operational activities involve the majority of employees within the organization. Operational tasks are concerned with the transformation process which takes input and converts them into outputs together with the various support functions closely associated with the basic task .The basic task should ensure the objective specifications are met.

### **1.1.3 Malnutrition in Kenya**

Malnutrition and its associated disease conditions can be caused by eating too little, eating too much or eating an unbalanced diet that lacks necessary nutrients. In Kenya, the number of undernourished people in 2001-2003 according to the United Nations, Food and Agriculture Organization (FAO) was 9.7 million. This is about 1.14% of global undernourished people and about 30.31% of the total population in the years 2001- 2003 ( [www.fao.org](http://www.fao.org)). As at 2011, the undernourished people in Kenya were about 10 million according to Action Against Hunger, an international development agency ([www.actionagainsthunger.org](http://www.actionagainsthunger.org)). Eliminating hunger and malnutrition is one of the most fundamental challenges facing humanity (Lomborg, 2004). The international community and developing countries like Kenya must work together to achieve this goal.

In Kenya, some of the causes of malnutrition are insufficient access to food due to insufficient rainfall hence drought, inadequate dietary intake due to few food varieties and lack of information through education, disease like HIV/AIDS, inadequate materials and child-care practices which involves mother feeding and breastfeeding education, poor public health and inadequate health services (which involves drinking untreated water, poor sanitation and hygiene especially to slum dwellers), quantity and quality of actual resources-human due to high population, economic e.g. high food prices and organizational-and the way they are controlled as well as potential resources like environment, technology, people political ideology e.g. refugees and IDPs and commitments. Apart from fighting malnutrition through long term measures like enhancing food security, infrastructure development, change of policy, the most important is emergency measures by supplying fortified food and ready to use therapeutic food. Fighting malnutrition mostly through fortifying foods with micronutrients (vitamins and minerals) improves lives at a lower cost and shorter time than other forms of aid. according to the World Bank. Current agricultural policies largely emphasize primary agricultural production and do not have micronutrients outcomes among its goal (Combs et al.1995).

#### **1.1.4 Instaproducts (EPZ) Limited in Kenya**

Instaproducts (EPZ) Limited is a food manufacturing private company which is in extruded fortified blended food industry. It is in the business of extruding fortified blended foods for relief aids, vulnerable groups like expectant and lactating mothers, children, the sick ( e.g. HIV/AIDS patients), and general population across the ages. The factory premises are situated in Athi River, EPZ area, in the outskirts of Nairobi. The

CEO and founder Mr. Allison Stuart is a professional in animal nutrition and he started operating in 2004. But it had relocated to this area from Nairobi's industrial area. Lunga Lunga road. The venture has 20 years in operation.

The company manufactures flour which is a mixer of cereal and legume (Cam and Soya) fortified with vitamins and minerals. The cereal and legume is milled and extruded (pre-cooked at 150°C using Instapro extruders, then is cooled, fine milled and fortified by vitamins and minerals. This product gives all macro and micro-nutrients needed by the body. It gives all the nine essential amino acids hence suited for emergency food aid programs to malnourished people. The product cooks faster (10mins) since it is already precooked and its bioavailability (absorption) in the body is highly enhanced. Most of its clients are international development agencies like UN-World Food Programme, UNICEF, World Vision, Red Cross, Oxfam, Goal, CARE International. USAID,MSF. Others are Catholic Relief Services, hospitals, children homes, HIV/AIDS homes, e.t.c. Being a business firm, it has to employ response strategies, both strategic and operational, to malnutrition challenges which is brought about by the environment in which it exists.

## **1.2 Research Problem**

Response strategies are the long-term direction taken by an organization to solve challenges brought about by an environment in which it exists. The environment is always in turbulence (Ansoff and McDonnell, 1990). It is these turbulences that cause difficulties, uncertainties and unpredictability in firms operations as well as influence the firm's strategy (ies) and strategic choices. There are two types of responses, that is, strategic responses and operational responses. The link between overall strategy and

operational aspects of an organization is important because if the operational aspects of the organization are not in line with strategy, then no matter how well considered, the strategy will not succeed. Schendel and Hofer (1979) observed that organizations respond to turbulence in the environment by formulating new strategies which provides directional cues for the organization that permit it to achieve its objectives while responding to opportunities and threats in the environment.

Instaproducts (EPZ) limited has been producing extruded fortified blended food to its clients for emergency aids and it has employed response strategies which help to reduce the malnutrition challenges. These response strategies are provision of food product with adequate macro and micro-nutrients, education via the information printed on the packets or labels, provision of product of affordable prices by packing in small pack size like 100grams, in-time production and delivery. But according to information available, malnutrition is caused by various factors and the number of malnourished people stands at 10 million people by 2011 as per action against hunger website.

Various studies have been carried out aimed at establishing strategic responses in different organizations. Kombo (1997) looked at strategic responses by firms facing changed environmental conditions- A study of motor vehicle franchise holders in Kenya. Abdullahi (2000) looked at strategic responses by Kenyan companies following liberalization. Kandie (2001) did a study of the strategic responses by telkom Kenya limited in a competitive environment. Thiga (2002) looked at the strategic responses of airlines operating in Kenya in the face of changing environmental conditions. Cheluget



(2003) looked at responses of milk processing firms to increased turbulence in the macro environment of the dairy industry in Kenya- A case study of the New KCC Limited.

Ohaga (2004) reviewed the strategic responses of commercial banks in a changing environment. Gitia (2006) looked at responses of NAS airport services limited to environmental challenges in the catering industry in Kenya. Mburu (2007) looked at strategic responses to environmental challenges by Kenya horticultural exporters. Njirithia (2007) looked at strategic responses of public development financial institutions (DFIs) in Kenya to challenges facing the sector. None of the studies done focused on response strategies to malnutrition challenges before and hence the research gap. despite being a researchable area for other stakeholders like government and international development agencies which help to alleviate hunger and malnutrition .This is why I have taken a case study of one of the extruded fortified food manufacturers, Instaproducts (EPZ) Limited, to answer the questions : Are instaproducts (EPZ) limited response strategies capable of meeting the malnutrition challenges in Kenya? What are these challenges? How is it responding to these challenges?

### **1.3 Research Objective**

The research objective was to determine the malnutrition challenges by Instaproducts (EPZ) Limited in Kenya and its response strategies to these malnutrition challenges.

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

This study is expected to contribute to the knowledge on response strategies both strategic and operational to malnutrition challenges by extruded fortified blended food

industry in Kenya. It will also help to come up with recommendations that would be used by Instaproducts (EPZ) Limited and stakeholders to formulate strategies to respond to malnutrition challenges. The findings will enable Instaproducts (EPZ) Limited develop response strategies that match the malnutrition challenges and acquire capabilities that match their strategies, hence acquire and sustain competitive edge ahead of its competitors.

The study will also assist policy makers to formulate policies appropriate for malnutrition challenges in Kenya. The government of Kenya, through the relevant ministries will be tasked to formulate the policies appropriate for malnutrition challenges.

Last but not least, it will serve as reference material to students and researchers. The limitations of the study could be used by students and researchers to undertake research in the same area of study.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Introduction**

This chapter will cover both theoretical and empirical literature. It will cover the concept of strategy as defined by different authors, the strategic management, organization and the environment, organizational responses which are both strategic and operational.

### **2.2 Concept of strategy**

Pearce and Robinson (1997) define strategy as a company's "game plan" that reflects its awareness of how, when, and where it should compete; against whom it should compete; and for what purposes it should compete. Strategy according to Michel Robert (1993) is thinking strategically regarding decisions pertaining to product and services, customers, market segments and geographic areas. Porter (1980) argues that strategy was about positioning a company in its industry to gain competitive advantage. The events in the external environment are considered to be critical for success and hence making it important to understand one's industry and competitors mainly through strengths, weaknesses, opportunities, threats (SWOT) analysis.

Johnson and Scholes (2002) asserts that strategy is the direction and scope of an organization over a long term, which achieves advantage for the organization through its configuration of resources within a changing environment and the fulfill stakeholder expectations. "Strategy" has been used in business to describe a variety of "planning" and "mental modeling" activities with a generally agreed upon "purpose" of charting a

successful course of action for a firm or organization over an extended time frame (Johnson and Scholes, 2002). According to Quinn (1990), a strategy is the pattern or plan that intergrate an organization's major goals, policies and action sequences into a cohesive whole. Ansoff and McDonnell (1990) observed strategy as the link between a business and its external environment. When firms talk of 'strategic management' they are concerned with establishing strategies that enables them to pursue their objectives in consistence with the organization capabilities in continued response to environmental demand.

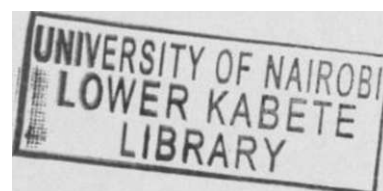
Yavitz and Newman (1982) argued that strategy is not a response to short term fluctuation in the operating environment nor is it is the response to the frequent short term report, but a long term commitment of the firm to achieving their objectives. Porter (1980) viewed strategy in terms of firm's positioning within its industry based on their unique attributes. This unique attributes are the firm's resources. Strategy, as defined by Andrew (1971) is a pattern of decisions in a company that determines and reveals its objectives, purposes or goals. It produces the principles policies and plans for achieving those goals that defines the range of business the company is to pursue, the kind of economic and non-economic contribution it intends to make to its shareholders, employees and the community.

Chandler (1962) defined strategy as the determination of the basic long term goals and objectives of an organization and adoption of course of action and the allocation of resources necessary for carrying out these goals. Ohmae (1983) thought of strategy in terms of competitive advantage. It is that thing that distinguishes us from our opponents

and makes us perform better than them. Webb (1989) observed strategy as a process of deciding the future course for a business. Mintzberg (1987) provides five definitions of strategy in terms of plan, ploy, patterns, position and perspective. Strategy as a plan is some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. Thus strategies have two essential characteristics namely they are made in advance of the actions to which they apply, and they are developed consciously and purposely. Strategy as a ploy is just a specific manoeuvre intended to outwit competitor. Strategy as pattern: a pattern in a stream of actions. Strategy as a position is a means of locating an organization in its environment. Strategy as perspective, its content consisting not just of a chosen position, but of an integrated way of perceiving the world.

Strategy can be explicitly formulated or implicitly emerge over time. Deliberate and emergent strategy form the end points of a continuum along which the strategies that are formulated in the real world may be found. The realized strategy may be the result of interplay between deliberate and emergent strategy. Strategy according to Aosa (1998) is creating a fit between the external characteristics and internal conditions of an organization to solve a strategic problem. Bryson, J. (1996) defines strategy as a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does and why it does it.

Hax and Majluf (1991) asserts that strategy selects the business the organization is to be in or is in. Strategy determines and reveals the organizational purpose in terms of long term objectives, action plans and resource allocation priorities. Strategy attempts to



achieve a long-term sustainable advantage in each of its business by responding properly to opportunities and threats in the environment. It aims primarily to internally turn its weakness to strengths and externally turn its threats to opportunities. To achieve this, understanding the organization itself and its environment is paramount. This understanding allows the strategist to make informed decisions.

### **2.3 Strategic Management**

Strategic management has been defined by Pearce and Robinson (1997) as the set of decisions and action that results in the formulation and implementation of plans designed to achieve a company's objectives. It has also been defined by Abdullah, David, Hashim and Mohamed (2005) as the process and approach of specifying an organization's objectives, developing policies and plans to achieve and attain these objectives, and allocating resources so as to implement the policies and plans. In other words, strategic management can be seen as a combination of strategy formulation, implementation and evaluation.

Strategic management consists of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages. This definition captures two main elements that to the heart of the field of strategic management (Dess, Gregory. Lumpkin and Marilyn, 2005). First the strategic management of an organization entails three ongoing processes: analysis, decisions and actions. That is strategic management is concerned with the analysis of strategic goals (vision, mission, and strategic objectives) along with the analysis of the internal and external environment of the organization.

Leaders must make strategic decisions which address time basic questions; what industries should we compete in? How should we compete in those industries?

Then the actions that must be taken as decisions are of little use unless they are acted on. Firms must take the necessary actions to implement their strategies. This requires leaders to allocate the necessary resources and to design the organization to bring the intended strategies to reality. This is an ongoing, evolving process that requires a great deal of interaction among these three processes.

Second, the essence of strategic management is the study of why some Firms outperform others. Thus managers need to determine how a firm is to compete so that it can obtain advantages that are sustainable over a lengthy period of time. Porter (1980) argued that sustainable competitive advantage cannot be achieved through operational effectiveness alone. Most of the popular management innovations of the last two decades-total quality, just-in-time, benchmarking, business process reengineering, outsourcing-all are about operational effectiveness. Operational effectiveness means performing similar activities better than rivals. Each of these is important, but none lead to sustainable competitive advantage, for the simple reason that everyone is doing them. Strategy is all about being different from everyone else. Sustainable competitive advantage is possible only through performing different activities in different ways. Drucker (1954) advanced the importance of objectives when he developed a theory of management by objectives (MBO). He argued that an organization without clear objectives was like a ship without a

rudder. According to Drunker, the procedure of setting objectives and monitoring the progress towards them should permeate the entire organization, top to bottom.

Comerford and Callaghan (1985) define strategic management as a way of running an organization that recognizes the complexity of its environment. He goes further to say that it is a process by which the manager can transform environmental factors, along with various internal personal and political considerations into decisions that results in strategies (goals and plans of action for reaching them) to help guide the organization into the future.

According to Ansoff and MacDonnell (1990), strategic management is positioning and relating a firm to its environment in a way that will assure continued corporate success. Lamb (1984) defined strategic management as an ongoing process that assesses the business and the industries in which the company is involved ; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors , a new economic environment or a new social, financial or political environment.

Chaffee (1985) in his summary said strategic management involves adapting the organization to its business environment. It is fluid and complex. Change creates novel combinations of circumstances requiring unstructured non-repetitive responses. Strategic



management was also found to affect the entire organization by providing direction. It also involves both strategy formulation (referred to as content) and strategy implementation (referred to as process). This can be partially planned and partially unplanned. Strategic management was found to involve both conceptual and analytical thought processes.

## **2.4 Organization and the environment**

The environment of an organization in business, like that of any other organic entity, is that patterns of all the external conditions and influences that affect its life and development (Mintzberg, Quinn and Ghoshal, 1998). Firms are environmental dependent (Ansoff and MacDonnell, 1990).

According to Pearce and Robinson (1997), the environment refers to the immediate surrounding of a firm. They assert that a firm's external environment consists of three interrelated sets of factors that play a principal role in determining the opportunities, threats, and constraints that the firm faces.

These are the remote environment which comprises factors originating beyond and usually irrespective of any single firm's operating situation-political, economical, social, technological, ecological and legal factors. This is the PESTEL framework which is broad environmental factors that impact on almost all organizations. Factors in the industry environment include entry barriers, competitor rivalry, the availability of substitutes and the bargaining power of buyers and suppliers. The operating environment comprises factors that influence a firm's immediate competitive situation-competitive position, customer profiles, suppliers, creditors, and the labour market. These three sets

of factors provide many of the challenges that a particular firm faces in its attempts to attract or acquire needed resources and to profitably market its goods and services, hence growth and survival.

Pfeffer and Salancik (1978) contend that the environment can be thought of as all the events which affect the organizations. Thus the boundaries are defined as the organization's control of the action of participants relative to control of other entities over the same activities. They further explored how external constraints affect organization and provide insights for designing and managing organizations to mitigate these constraints.

Kotler and Burnes (1998) argued that the external environment forces are forcing industries to change. These forces of change are driven by the consumer or the market.

Teece et al. (1997) argued that organizations need to develop various capabilities to accommodate changing requirements and provide new competence from situation inside and outside the organization. Linda (1985) asserts that an organization is an open system that exists within an independently given environment. The objective of the environment may be accurately or inaccurately perceived but in either case the task of the strategic managers is to maintain congruence between environmental constraints and organizational needs. This requires organizations to constantly monitor and scan the environment in which they operate. The main objective of environmental scanning is to alert decision makers to potentially significant external impingements before they have crystallized so that decision makers may have as much lead time as possible to consider

and to plan for the implications of the changes. This will enable the organization to gain competitive advantage. Johnson and Scholes (1999) looked at the role of managers as change agents and argued that managers need to consider different ways in which strategies might need to change depending on how the business environment behaves if a firm is experiencing a change in its performance e.g. falling profits or reduced customers they must immediately respond before such situation turns chronic. They should also change in order to maintain an equilibrium position between them and the environment.

Johnson and Scholes (2002) asserts that due to a wide diversity of customers' needs, the concept of market segmentation can be useful in identifying similarities and differences between groups of customers or uses. This understanding of what customers (and other stakeholders) value and how competitors are positioned to meet these needs is a critical element in understanding strategic capability. Pearce and Robinson (1997) while emphasizing on environmental factors said that the strategic managers are frequently frustrated in their attempts to anticipate the environment's changing influences. Different external elements affect different strategies at different times with varying strengths. The only certainty is that the impact of the remote and operating environments will be uncertain until a strategy is implemented. This leads many managers, particularly in less powerful or smaller firms to minimize long term planning, which requires a commitment of resources. Instead, they favour allowing managers to adapt to new pressures from the environment. While such a decision has considerable merit for many firms, there is an associated trade off, namely that absence of a strong resource and psychological

commitment to a proactive strategy effectively bars a firm from assuming a leadership role in its competitive environment.

## **2.5 Organizational Responses**

Schendel and Hofer (1979) observed that organizations respond to turbulence in the environment by the formulating new strategies which provides directional cues for the organization that permit it to achieve its objectives while responding to opportunities and threats in the environment.

The bulk of managerial time in business firms is devoted to coping with uncertainties induced by the environment. These increasing number of changes pose major threats or opportunities to a firm including obsolescence of the firms technology, major loss of market share , drastic increase in the cost of doing business , a chance to get a major jump on competitor or a ground floor entry into a new industry (Ansoff. 1984). Ansoff and McDonnell (1997) asserts that if for whatever reasons the firm fails to respond to a threat, the losses caused by it will continue to accumulate. But sooner or later most firms have to take countermeasures to stop the losses. Contingency theories of management (Burns and Stalker, 1961; Scott, 1981) argue that when organizations see their environments as turbulent and complex they respond with more complex, organic structures which reflect the variety in the environment. Similarly, when organizations see the environment as stable and unchanging they organize in ways that are more simple and mechanistic.

Responses of any organization can be both strategic and operational. The link between overall strategy and operational aspects of an organization is important because if the

operational aspects of the organization are in line with strategy, then no matter how well considered the strategy will not succeed.

### **2.5.1 Strategic Responses**

Strategic responses affect the long-term direction of an organization and require large amounts of resources. Strategic responses are aimed at achieving advantages for the organization and as such are concerned with the scope of the entire organizational activities. Hence it is in two levels, that is corporate and business levels.

Ansoff (1965) advanced a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification strategies. He felt that management could use these strategies to systematically prepare for future opportunities and challenges. He also developed the "gap analysis" still used today in which organizations must understand the gap between where they currently are and where they would like to be, to enable them develop what he called "gap reducing actions". The choice of response depends on the speed with which a particular threat or opportunity develops in an environment (Ansoff and McDonnell, 1990). Strategic responses pursue long term objectives and encompass planning, implementation and control. Johnson and Scholes (2002) assert that the corporate level strategy deals with overall scope and purpose of the organization and ensures the stakeholder expectations are met. It enables the business decide which business lines to concentrate on through diversification, integration, divestiture and portfolio management. The business level strategy determines and defines how the organization competes in its market and how its long term objectives will be achieved.

This can be either through existing or new products and markets. Kleimer (1996) noted that to foster a corporate culture that embraces changes you have to hire the right people. The conservative bureaucrat that made such a good middle manager in yesterday's hierarchical organizations is of little use today. Peters and Austin (1985) stressed the importance of nurturing champions and heroes. They noted that there is a tendency to dismiss new ideas, so to overcome this, organizations should support those few people in the organization that have the courage to put their career and reputation on the line for an unproven idea. The new ideas result to new strategies. Tichy (1983) contends that most organizations tended to repeat the strategies which they were most comfortable with, he added that this constrained creativity, prevents exploring new ideas, and hampers dealing with the full complexity of new issues. He developed a systematic method of dealing with change that involved looking at any new issue from three angles: technical and production, political and resources allocation and corporate culture.

Some of the strategic responses that a firm can adopt are policy changes, product development and changes in systems and processes. Peace and Robinson (1997) defines policies as directives designed to guide the decisions and actions of managers in implementing a firm's strategy. Skanners (1985) assert that manufacturers must adopt strategies to manufacture competitive products or else are wiped out by cheap imports from various parts of the world. Ansoff and McDonnell (1990) contends that changes in the organizations' systems and processes need to be made which provide competence and capability for dealing with environmental changes. These systems and processes refers to a set of relatively unchanging elements within an organization which include fixed assets.

machinery and equipment, information systems, management structures, codes of conduct for personnel and work ethics.

### **2.5.2 Operational Responses**

The nature and tasks undertaken by the operating core of the organization has an important influence on the various aspects of the organizational design and control. Operations are the core function of the organization and continuously manage the flow of resources through it. Transformation process which takes input and converts them into outputs together with various support functions closely associated with the basic task is what constitutes operational tasks. Operational responses can give an organization competitive advantage which can be created and sustained for each business or activity through a variety of functional strategies and opportunity for adding customers value and how each must add value for the organization if the portfolio of activities is to generate beneficial synergies (Thompson, J. 1990).

Hoffman (2001) argues that organizations differ in their receptivity to institutional pressures from the diverse set of constituents in their external environments. Organizations channel pressures from market and non market constituents to different functional departments, and that these functional departments, in turn, influence managers' sensitivity and responses to institutional pressures. Therefore, differences in organizations' adoption of management practices reflect not only different levels of institutional pressures but also differences in the influence of their functional departments (Edelman, 1992; Lounsbury, 2001). According to Juan and Glueck (1988), well executed

functional strategies gives the organization competitive and valuable competencies, capabilities and resource strengths. These strategies are concerned with the narrow initiatives and approaches for managing key operating units and for handling daily operating tasks with strategic significance. Functional strategy maximizes resources productivity leading to a distinctive competence that gives a company or business unit a competitive advantage. Functional strategies pull together the various activities and competence of each function to improve performance. Therefore these functional strategies should be developed in marketing and distribution, accounting and finance, production and quality control/assurance, research and development, human resources and development/personnel, information systems, public relations and corporate affairs units of the organization.

Maylor (1996) says that the objectives of operating responses are reliability, consistent quality, low cost and price, rapid services and little waiting time for units. Controlling costs is the key objective of operations responses and building quality into the product or services. Success factors are capability and capacity, efficiency, adaptability and product range.

Stoffel (1994) asserts that organizations can also change their structures to the functional ones as a response to competition. Functional structural and process reorganization such as restructuring, reengineering, total quality management, rightsizing, value chain analysis, outsourcing and retrenchment and turnaround are some of the strategies used to improve efficiency of operations. Bowman (1998) noted that a business strategy critically addresses the following questions. What market should we be trying to compete in? How



should we try to compete in those segments? What key competencies do we need to build to realize this competitive strategy? What do we look like now? And lastly how can we move forward? By an organization responding to these questions they are clearly able to decide the response strategies to adopt. The functional structure in an organization enables a firm gain the specialization benefits and links the functional level strategies with the business strategy (Bowman, 1998).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes briefly the chosen research design and purpose of such a design. The type of data to be collected and method of collecting and analyzing the data into information to answer the research question.

#### **3.2 Research Design**

The research design of the study was a case study. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda. 2003). The primary purpose of a case study is to determine factors and relationships among the variables that have resulted in the behavior under study. This enables the study to be more focused, giving information which is specific and detailed

#### **3.3 Data Collection**

This study used of primary and secondary data. The primary data was collected through in-depth interview by use of an interview guide to the production manager, product development manager, quality control and assurance manager, sales and marketing manager and the CEO.

Secondary data came from the company records in departments of production, product development, quality control and assurance, sales and marketing and CEO's office. A letter of introduction (Appendix 1) will be issued to the respondent before the interview guide (Appendix 2). This will minimize non-response.

### **3.4 Data Analysis**

Content analysis was used to analyze the data obtained from the interview guide. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Kotter, 2002). It involves observation and detailed description of objects, items or things that comprise the object of the study.

The reason for choosing this methodology was that it does not restrict respondents on answers and has the potential of generating more information with much detail. Also the researcher will be able to describe, interpret and at the same time criticize the subject matter of the research since it will be difficult to do so numerically. Gitia (2006) used it successfully when she was analyzing responses of NAS airport services limited to environmental challenges in the catering industry in Kenya.

## **CHAPTER FOUR**

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

#### **4.1 Introduction**

This chapter describes, analyses and interprets primary and secondary data collected by an interview guide, the data is then summarized into information, which will then be discussed and conclusions made.

#### **4.2 General information**

Instaproducts (EPZ) Limited is one of the five food industries specializing in extruded fortified foods for malnourished people and emergency relief operations. The type of foods it produces are Corn-Soya Blend (CSB) fortified with vitamins and minerals, and therapeutic foods. Its target groups are children, elderly, the sick, refugees, and general population especially in drought stricken areas. To attain this type of production and meet the specification, it has to do it according to its stated vision, mission, values and objectives. The company's vision is to produce high quality fortified food at affordable prices. Its Mission is to be the most reliable supplier of extruded fortified food in Kenya. The values of the company is to give good quality food at affordable prices to its clients, make good relationship with its suppliers, maximize profits to its shareholders, its employees development and participate in community development. The company's objective is to look for other food products that will help in reducing malnutrition in Kenya, as a result of product development and innovation of technology.

For the company to attain its mission of being reliable supplier, it has invested in an automated production line with twelve extruders for fortified blended foods production which gives a capacity of 80 MT per day. Its main clients are the NGOs. United Nation agency bodies like UN-WFP, UNICEF, MSF, USAID. World Vision. Government of Kenya, Feed the children, Christian children's fund, hospitals and children homes. The company's plant full capacity is 30000MT. However, due to funding of these NGOs and UN agency bodies, the production may not be continuous throughout the year. Hence its average total annual production is 8000 MT. The annual production capacity for ready to use therapeutic food is 4500 MT. What hinders the company in attaining the production capacity is the working capital. This is because these clients places huge orders with the company at ago and payment is done after the whole production is completed and finished products delivered. Also for local market, the customers are required to follow the tax exemption through the KRA and ministry of finance which takes time. Failure to do this, they have to be taxed on all the products they are purchasing from the company.

Also to meet the product specifications, the company has a good in-house laboratory which is run by qualified experienced personnel. They do tests for incoming raw materials, on-line products and finished products. They validate their results by comparing with the results from external inspectors like SGS and KEBS. Instaproducts (EPZ) Limited tow factories(CSB and Therapeutic Foods) are audited annually by KEBS, UNICEF, MSF, WFP and USAID. The company is also very strict on good manufacturing practices (GMPs) such that all its employees are trained on the same. The company is also HACCP certified (Hazard Analysis and Critical Control Points).This ensures that at every step in production, the food hazards are analyzed and corrective

action taken at all critical control points. This ensures food safety to the clients. Traceability of produced products are done through batch numbers, date of production and code numbers. The company also demands the certificate of analysis for all raw materials supplied from the supplier. The employees are trained on the same. By the time the researcher was collecting data, the company was not ISO certified but it was on the process, that is three months time. The research objective is to determine the malnutrition challenges by Instaproducts (EPZ) Limited in Kenya and its response strategies to these malnutrition challenges.

### **4.3 Malnutrition challenges and its Response**

Data was collected through interviews using an interview guide. Content analysis was done and the results below are presented according to the causes of malnutrition which can bring about its challenges in Kenya, how the three levels of environmental factors (macro, industrial and operational) have affected or influenced the company in response to malnutrition challenges and how the company has responded, and the conclusion of the findings which will answer the question of company's capability of meeting the malnutrition challenges in Kenya.

#### **4.3.1 The causes of malnutrition**

The respondents felt that Instaproducts (EPZ) Limited has faced the following malnutrition challenges in its business from the year 2004 to date. In each case its response strategies to each challenge is discussed.

**Insufficient access to food due to insufficient rainfall hence drought.** The respondents felt that due to drought, most of the people in drought stricken areas do not have

sufficient access to food. The response strategy is that Instaproducts (EPZ) Limited will outsource raw materials through its listed suppliers from areas which had sufficient rainfall or imported, process the food and deliver it to people who are affected by drought. Then it will stock the raw materials in their store warehouses to ensure reliable supply. The company will only produce after signing of an order agreement by the supplier agent like NGOs, UN agencies or the government.

**Inadequate dietary intake due to few food varieties and lack of information through education.** The response strategy is that the company has formulated its ration serving to provide all macro and micro nutrients needed for optimal body functioning and growth. It uses the vitamins and minerals premix to fortify in the extruded cereal and legume (corn-soya blend). This formulation helps in all emergency cases of malnutrition. Extrusion (precooking) of the corn-soya blend enhances the digestion and absorption of the food nutrients in the body. The company has provided the information via the printing of the packaging materials like poly bags, polypropylene bags, etc. Also more information which is used to educate people is got from the pamphlets they print, brochures, magazines, and advertising media (paper, audio and visual). The information is also got from their website ([www. instaproducts. co.ke](http://www.instaproducts.co.ke)).

**Inadequate materials and child-care practices which involves mother feeding and breast feeding education.** The company has responded by educating mothers on feeding and breast feeding as part of child-care practices. This is accompanied by the baby foods formulated specifically for babies at a certain age bracket. Also the company produces therapeutic food for different malnutrition levels e.g severe acute malnutrition. Most of

these foods are supplied to the hospitals, children homes e.t.c via a humanitarian agency like USAID.

**Poor public health and inadequate health services (which involves drinking untreated water, poor sanitation and hygiene especially to slum dwellers which can result to diarrhea).** The company has responded to this by lobbying the government to improve health services to people in these areas. Despite company's effort of lobbying the government, nothing much has been achieved. A staff from Instaproducts (F.PZ) Limited is a member of the food nutrition awareness organized by KEBS. Also it produces food for these people which will improve their health due to adequate macro and micro nutrients.

**High population.** When population is high, it means more food is needed to satisfy the growing population. If food is scarce, the malnutrition cases arise. The response strategy is that the company always endeavors to meet the ordered quantities timeline by setting the production targets and putting in place the production supporting team like engineers and quality controllers to ensure production run smoothly. The company has also embarked on putting buffer stock for emergency cases. But the company has not been able to respond appropriately to this challenge due to its small capacity compared to high population increase.

**High food prices.** Most of the people will not access the right quantities of food and the right quality owing to escalating food prices as a result of high production cost and high cost of raw materials. The response strategy is that the company has tried to lower the overhead costs so that it will pass the same to its clients. It has also tried to purchase



some of raw materials (cereals and legumes) during harvesting seasons when prices are low and store in their warehouses. The company procurement department compares the prices of different suppliers without compromising on quality and also they do import some raw materials from countries which are selling at a lower price. For example, the milk powder from KCC retailing at Kshs. 15000 per bag but the same milk powder from Denmark retailing at forty percent of this price including importation expenses. To ensure every person in need of its food get it, it has a small pack size of 100g which is a serving met to provide all the macro and micro nutrients needed in the body.

**Political ideologies e.g refugees, IDPs** People living in refugee camps and IDP camps hardly gets enough quantity and quality of food. The company has responded by formulating a ration serving such that when consumed it gives all macro and micro nutrients needed in the body. It also ensures that the timeline agreed on with the humanitarian agency is adhered to. The company also has embarked on putting buffer stock for emergency cases. The only setback is that the company may not be able to feed all the refugee camps and IDP camps at the same time due to low capacity compared to the populations we have in these camps.

**Technology e.g. proper machinery, equipment for operation to attain set specifications, and technical personnel.** Without proper technology in use. we may not be able to attain food specifications expected. The company has responded by installing modern automated machines, equipment and the right technical personnel in the whole processing line. In-house laboratory is well equipped to test and analyze all parameters needed on production line from receiving of raw materials to finished packed products.

Quality controllers are professionals in food science and technology as well as production supervision and management. Machine operators have been trained on the principles of good manufacturing practices and HACCP. Also they are being trained on ISO of which they will be certified in three months time from the time of collection of this data.

**Diseases like HIV/AIDS e.t.c.** Diseases will deprive the patient of energy and nutrition hence malnutrition. The company has responded by formulating the food for such patients with the right macro and micro nutrients.

Instaproducts (EPZ) Limited has not been able to respond to the challenge of high cost of raw materials especially the imported one like vitamins and minerals. The Kenya shilling is losing the value against the dollar and the company may not be able to do anything about this. Some of these raw materials like vitamins and minerals are expensive and its shelf life is short such that you only import what you can use in a given order. If you import a lot of quantities without order it may expire in the store.

Malnutrition cases in Kenya today are about 10 million people. Instaproducts (EPZ) Limited is capable to cater for 5% of these. This is bearing in mind that compared to its competitors in Kenya, it has the highest capacity.

#### **4.3.2 Influence of the three levels of environment to malnutrition challenges and its responses.**

The three levels of environment considered in this study are:-

**Macro environment** - Political, Economical, Socio-Cultural, Technological. Ecological, and Legal challenges.

**Industry environment** - Bargaining power of the buyer (clients), bargaining power of the seller (supplier), substitutes, threat of new entrants and competitors.

**Operating environment** - Government, shareholders, creditors and employees.

**Political challenges.** Politics have an influence in malnutrition challenges responses. These are politics both in Kenya and in our neighbouring countries. For example in Kenya, during post election violence of 2008, which was caused by political hardliners, it resulted to many people leaving their homes and camping in church fields, police stations e.t.c. hence internally displaced persons (IDPs). This increase in IDPs needed a lot of emergency food which could sustain their health. Failure to supply enough food resulted to malnutrition. The company responded by producing non-stop to ensure the required capacity is attained. Our neighboring countries politics results to increase in refugees to our refugee camps and the humanitarian agencies increase the orders for the food. The company has to respond by producing non-stop to ensure the required capacities are attained. In awarding of the orders by the NGOs, the tendering process is followed. The company responds to this by pricing lower since its capacity is higher than the competitors and it enjoys the economies of scale. Also it purchases the local raw-materials when price is low and stores. This strategy turns to be survival strategy and profit maximization is not attained. This definitely affects expansion of the firm. For therapeutic foods, the company has no competition in Kenya. Its only competitor is in South Africa.

**Economical challenges.** The respondents complained of the high raw materials cost due to increased importation duty to local suppliers. Hence the company is forced to outsource these raw materials from outside the country. The Kenya shilling is always depreciating against the dollar and this makes the imported raw materials expensive. Due to reduced profit margin, the company has to cut operational costs by reducing overheads. Most of the clients especially NGOs do not give any deposit for starting of the production. They expect all the tonnage they have agreed to be delivered, first to be produced using the companies money. Some of these orders are huge and the company may result to taking loan from the bank. The Kenyan banks interest rates are high. Most of these NGOs will even take more time than agreed in payment, hence the company ends up paying the bank high amount of money as a result of interest rates and time extension penalties. Due to competition, the company may not dictate the payment terms, provided it is getting something small.

**Socio-cultural challenges.** Some of the people do not accept food fortification because they think it is produced using synthetic food ingredients. Others think it is like medicine. Others like Jews demand milk culture certificate in case of a product with milk ingredient. The company has intensified on education through the printing of packaging materials, pamphlets, brochures, magazines, media and website. Some communities especially pastoralists who are mostly affected by drought is such that their culture does not allow cooking. The company has responded by precooking the flour such that you mix with water and ingest. Other foods like therapeutic foods are consumed directly the way it is. Other flours are recommended to be cooked for ten minutes.

There are some other foods which cannot be fed to a certain group of people. The company has formulated different rations for different target group of people. Hence it has baby foods, adult foods, HIV/Aids e.t.c.

**Technological challenges.** Precooking of the cereals and legumes mixer is done by extrusion method. Hence the machine used for extrusion is called extruder. Extruder is very sensitive when in operation and it needs a well trained operator with exceptional skills and attention to details. The response strategy is that the company has trained all its operators through the machine manufacturers from the USA called Instapro International. The manufacturer sends a start-up engineer who trains the operators. The laboratory with latest testing and analysis equipment like aflatoxin kits, chemical and microbiological analysis require well trained personnel. The company has engaged the technical professionals in food science and technology who does the analysis. They are supported by being trained in HACCP, GMPs and most recently they are being trained in ISO to be certified in three months time from the date of this study. Most of these trainings are done by BVQI, SGS, KEBS and others from outside the country e.g. USA, Britain e.t.c. Production personnel are also trained.

The company also uses the website to advertise and educate the people on its products. Hence it encourages all workers to be computer literate to be able to communicate via the intranet.

**Ecological challenges.** The government has made it a requirement for all companies to adhere to the health and safety of the workers. This has made the company to have a first aid box to cater for workers minor on-job injuries, training of some workers as first



**aiders**, put signs for warning on lesser safe areas, train of workers on health and safety. **Also** the workers are required to have a valid medical certificate, hence the company has to arrange for them to be examined, as a response strategy. Speed governors for all vehicles, holding fire drills, buying fire extinguishers and training on use of fire extinguishers have been operational responses. Rainfall shortage causes drought hence **raw** material prices increase. Fuel costs and electricity costs further increase the prices. **The** operational response is to absorb most of the cost which lowered profits but also negotiated for an increase in price of the finished food product. Also the company uses **the** economies of scale by producing non-stop. In production department, there is challenge of dust and high temperatures as a result of extrusion. The operational response **the** company has adopted is to install air and dust extractors. The lighting is also enhanced **by** fixing transparent sheets and increasing **lighting** tubes/bulbs. These tubes/bulbs are **enclosed** in transparent plastic housing to avoid the glass falling into food or people in case of breakage.

**The** sorted stones, soil, sand, stalks is a **challenge** in production. The company has **contracted** a service of a waste disposal company called BINS LTD. This is an **operational** strategy. Pests like rodents and **insects** infest the stored food grains, cereals, **work-in-progress** products and finished packed food in stores. The operational response **the** company has adopted is to contract the **services** of a pest management company called **RENTOKIL LTD** who spray the stores **and** the whole factory in a given period of **time**. There are also minor sprays done in-house by **the** workers.

The production staffs have been given protective regalia like overalls, caps, masks, earplugs, earmuffs, factory<sup>1</sup> boots and gloves. Even non-production staff when entering production area must have these regalia. This is a safety measure against dust, machine noise, injury by an object. This is an operational response. Conveyor belts, forklifts and trolleys were purchased to avoid workers back strains when lifting heavy loads. This is also an operational response.

**Legal challenges.** Most of these challenges are due to government regulatory and statutory procedures and policies they put into place. The food produced has to attain the specifications as stated by the Kenya Bureau of Standards. The operational response is to comply. Before importing into the country the government has introduced an import declaration form which is applied from the customs, this form is then faxed to the exporter who brings it back attached with the goods. This form is then given to an inspecting company like SGS, INTERTEK and a copy to the Kenya Bureau of Standards which issues a certificate of conformity. This certificate shows quantity and the valuation of goods for tax purposes. The operational response is to comply. Kenya revenue authority demands local customers to pay product tax, otherwise they have to follow the exemption which delays the procurement process. This is because you have to go for approval to the ministry of finance. The operational response is to comply.

The government has also gone IT and most of the customs work is done in the website with a password from Times Tower. The company has updated the IT programs. Finance department legal challenges are to adhere to minimum wages and NSSF/NHIF. Also PAYE increase is a challenge to the workers final pay. The operational response is to

comply. Human resources department faces the legal challenge of ensuring the company adheres to all the new policies on health and safety which has become a requirement by the government for all organizations. In addition, medical care for staff, pension schemes, minimum wages for casuals are all government requirements. The operational response is to adhere to it. Also labour laws have to be adhered to.

**Bargaining power of the buyer (Client).** Most of the company's clients are the NGOs. Even if these NGOs are not there to make profits, they try to minimize costs while maintaining quality of their food they are purchasing. With this respect, when the NGO want to purchase or order for the food to feed a certain group of people e.g. refugees, they send tender forms to several companies in the extrusion and fortification industry. In this form you will fill the prices you want to sell to them and timeline. They also give you the quality specification parameters they expect you to meet. Since most of their orders are huge, most of the companies participating in tendering will try to price their food product low as long as they are making a small profit margin. They will also try to comply to timeline given and quality specifications stated. The client goes to an extent of contracting the services of an external quality inspector like SGS who will oversee quality on their behalf from the raw material, processing and final packed food. During tendering, the company signs an agreement form showing the prices agreed on, such that if either of the parties concerned faults the agreement, there is an agreed fine which it will bear. This fine is in form of a bank bond.

Instaproducts (EPZ) limited operational response to this is that they have high capacity extrusion machines to check on the timeline compared to the competitors, they have a good in-house laboratory to check on the food products on process line i.e. from raw



material to final packed food. They have employed professionals in food science and technology both in production supervision and management, and laboratory. The response for low price is that they will depend more on economies of scale. Also since the production line is automated, there is reduction in labour cost and waste generation is low.

When the company is purchasing the raw materials for the production, it also bargains for price reduction as long as the raw material meets set quality specifications. The raw materials are sampled and tested at their laboratory to ensure it conforms to set specifications as an operational response. If the raw material does not meet the set specifications it is rejected. The tests are done continuous once raw materials are received and in processing. The company strategic response in this is that it has a data bank of the suppliers whom they get the raw materials from them. Due to competition, these suppliers will endeavor to get the best quality and price low as long as they are making small profit margin. During the harvesting seasons of maize and soya which is the main ingredients, the company purchase big quantities and stores them when the price is low. The suppliers list is reviewed every one year as a strategic response to ensure only those who are capable of supplying both quantity and quality are retained. Paying the suppliers promptly is a strategic response to motivate them to supply the company with raw materials.

**Bargaining power of the seller (suppliers).** Most of the company's suppliers are the local traders and companies who are included in the list of suppliers. The data bank is stored which is reviewed after every one year. The suppliers will always ask for higher price than the company is willing to pay. If there is no consensus reached, these suppliers

will supply to another company, or if the supplier feels that he is not making profit, he can stop trading with that item and enter in more profitable venture. Instaproducts (EPZ) Limited always negotiate with suppliers for the raw material price after it has agreed on the price of the food it is producing with client in case of order i.e. after their tenders are through. The company will always buy the raw materials such that the supplier will make a profit. They always research on raw material prices **before quoting their price to** clients. This is because they have to price their final products. This is an operational response.

Some suppliers will ask for money first and their prices are not negotiable especially vitamins and minerals which are imported from DSM South Africa. Since it enjoys monopoly, the operational response is to comply to the set price. The good thing with these raw material is that they are used in low quantities per batch but they are expensive per unit.

Substitutes. Most of the food substitutes to the food supplied by Instaproducts (F.PZ) Limited are of lesser quality. For the food substitutes which are of the right quality, the quantity is much less. Therefore the substitutes have not affected the company's business since the area is under innovated. Therefore the company's strategic response to what may be a substitute is producing higher quality food and bigger capacity to meet deadlines. The other substitutes is using normal food which is not met for malnutrition reduction. The company has responded by educating people the need of fortified food as an emergency measure for malnutrition.

**Threat of new entrants.** There is only one company which has entered in the same industry as Instaproducts (EPZ) Limited. The company is very small and started with very low note such that it has not started producing the same food products. But with view to the threat posed by new entrants even in future, the company is expanding its operations by introducing new product range and installing new high capacity equipment and machineries. The laboratory is also being commercialized to cater for external customers. Also the company is HACCP certified and employ high standards of GMPS. By the time of taking this data, it was on the process of ISO certification which was in three months time. Also marketing itself using website and brochures. For therapeutic foods, there is no new entrants.

**Competitive Rivalry.** There are two main companies which are competitors to Instaproducts (EPZ) Limited. The other two are much smaller ventures. The main challenge is when these competitors price their products very low just to secure the NGOs order. But the company has responded by entering in export processing zone such that 85% of its products are exported. Also the company has specialized in health foods for malnutrition while its main competitors, that is Proctor and Allan (EA) Ltd and Nutromanufacturing Ltd have other local food products. This is a strategic response since it is able to concentrate on one area and give the best. The other challenge is the human resource turnover. The strategic response in this is that it is the best remunerating company among the three. It also ensures its staff are trained often to keep abreast with the new technology and procedures. The company also advertises itself using the website and brochures. It also carries out product development of its product range. For therapeutic foods, there is no competitor in Kenya.

**Government.** Restriction of its 20% of its products to be sold locally and 80% to be exported. The operation response is to comply. The various government regulations and policies to be adhered to even if they are challenging. For example inspection by the government health department, analysis of products by KEBS, Paying of various taxes to KRA. importation duties, vehicle inspection licensing of various operations. The operation response is to comply as you cannot compete with government. But also they lobby the government in areas they need help from the government, for example when there is scarcity of raw materials like maize, the government imports on the behalf of millers and sell to them at a lower price. When UNICEF or USAID is purchasing to feed people locally, they need to follow the process of tax exemption by KRA. This delays emergency cases of food supply. The government allocation of budget to ministry of health to tackle malnutrition cases is low.

**Shareholders.** Most of the respondents have mentioned the challenge of shareholders constant demand of pushing the costs down so as to make more profits. The strategic-response to this has been introducing cost cutting measures like restructuring, production line automation, contractual employment and duplication of duties.

**Creditors.** The main challenge is the creditors not paying on time. The operational response is that every credit has to go through a credit committee and the creditors are required to sign the credit period. If the creditors fault the period by extending, he is removed out of the creditors list. Payment process is done as per agreement of supplier verses the company. Other payments are done in advance while others are done immediately with cash discounts. The average credit period is 30 days.

**Employees.** The main challenge is the demand by employees for more services and better remuneration. The company has responded by giving bonus at the end of the operation year if they have made profit. Also payment of the salary promptly do motivate the employees. Better remuneration than the competitor companies is an operational response to employee turnover. Labor laws are followed in remuneration.

#### **4.3.3 Conclusion of the findings**

Most of the respondents were of the view that the responses to the malnutrition challenges by Instaproducts (EPZ) Limited are not adequate because they would like to do a lot more. The operating and venture capital being the main hindrance. Most of its profit goes to taxes and payment of fixed costs. The escalating raw material prices and under funding of NGOs is another hindrance to getting desired results. Hence its results are marginal. If NGOs are not funded, there is no reliability on the production. The operating response is to produce food which they can brand for the company. For it to be able to respond to malnutrition challenges, it should be able to grow and accumulate capital. Government input is needed in this by creating good business environment. The small capacity in comparison to high population is also an hindrance. The high cost of raw materials especially imported ones like vitamins and minerals is another hindrance.

## CHAPTER FIVE

### SUMMARY, RECOMMENDATIONS AND CONCLUSION

#### 5.1 Introduction

This chapter provides summary, recommendations and conclusion for the research findings in line with the objectives of the study.

#### 5.2 Malnutrition challenges and its response strategies

The research objective was to determine the malnutrition challenges by Instaproducts (EPZ) Limited in Kenya and its response strategies to these malnutrition challenges. The summary will be given in line with the causes of malnutrition, environmental influence in response to malnutrition challenges and conclusion of findings which will answer the question of company's capability of meeting the malnutrition challenges in Kenya.

##### 5.2.1 Causes of Malnutrition

The causes of malnutrition which Instaproducts (EPZ) Limited respondents feel that they are challenges to the company are summarized below.

**Insufficient access to food due to insufficient rainfall hence drought.** The respondents felt that due to drought, most of the people in drought stricken areas do not have sufficient access to food. The company has responded by outsourcing the raw material from its listed suppliers from areas which has sufficient rainfall or imported, process the foods and deliver it to people who are affected by drought. The company also stocks the raw materials in their store warehouses to ensure reliable supply.

Inadequate dietary intake due to few food varieties and lack of information through education. The company has formulated its ration serving to provide all macro and micro nutrients needed for optimal body functioning and growth. The company has also provided the information via the printing of the packaging materials, the pamphlets, magazine, brochures, advertising through the media and their website.

**Inadequate materials and child-care practices which involves mother feeding and breastfeeding education** The company has responded by educating mothers on feeding and breastfeeding as part of child care practices. Also by formulating baby foods, produce and distribute to mothers in hospitals.

Poor **public health and inadequate health services.** The company responds to this by lobbying the government to improve health services.

**High population.** The company always endeavors to meet the ordered quantities timeline by setting the production targets and putting in place the production supporting team like engineers and quality analysts.

**High food prices.** The company has responded by lowering the overhead costs so that it will pass the same to its clients. It has also tried to purchase raw materials like cercals and legumes during harvesting seasons when prices are low and store in their warehouses. It also packs small sizes like 100g to ensure every person gets its food rich in all macro and micro nutrients needed **in** the body.

**Political ideologies.** The company has responded by ensuring it produces food rich in all macro and micro nutrients needed in the body. It has also ensured timelines of production are met to ensure on **time** delivery.

**Technology.** The company has responded by installing modern automated machines, engaging professionals in their respective areas and training of its staff.

**Diseases like HIV/AIDS.** The company has responded by formulating the food with all macro and micro nutrients needed by the particular patients.

### **5.2.2 Environment influence in response to malnutrition challenges**

**Political challenges.** The company may not be able to tackle this challenge per se, but it endeavors to apply survival strategies which reduces profit margin, hence conflict between shareholders and the management. One of the responses it applies is pricing of the product lower than its competitors for it to enjoy the economies of scale due to its large production capacity. It also produces non-stop to ensure the required capacities are attained.

**Economical challenges.** The company responds by reducing operational costs. Also it disposed some shares to new shareholders to increase working capital.

**Socio-cultural challenges.** The company responds to this challenge by printing educative information to the packaging materials, pamphlet, magazine, brochures, media and the company's website. It has also responded by precooking the flour such that you mix with water and eat or drink for those pastoralists who are not able to cook. It has also formulated different rations for different target group of people.



**Technological challenges.** The company has responded to this challenge by training its production staff through the machine manufacturers from USA called Instapro International. The manufacturer sends a start-up engineers who trains the operators. Refresher training is done after a certain period of time. The company has also responded by engaging the technical professionals in food science and technology who does laboratory analysis, production supervision and management. Computer literacy by all personnel is a must because the company will communicate most of the issues via the company's intranet. This is most from supervision up the hierarchy.

**Ecological challenges.** For the challenge of health and safety, the company has a first aid kit for minor on-job injuries, training of some workers as first aiders, put signs for warning on lesser safe areas, training of workers on health and safety. It also ensures its personnel are medically fit by arranging for them to be examined after every six months by health officers from the government hospital or city council health department.

**Legal challenges.** The company has responded to these challenges by complying.

**Bargaining power of the buyer (client).** This challenge results to the demand of a lower price for the product by the buyer. The company has responded by lowering price by depending on economies of scales due to its high capacity. Machine automation also ensures operational cost is lowered as a result of human resource reduction. The high capacity also ensures timeline is adhered to since it is also the other demand for a buyer.

**Bargaining power of the seller (supplier).** This challenge results to the demand of a higher price for the product the supplier is supplying. The company has responded by negotiating with suppliers for the raw materials price after it has agreed on the price of

the food they are producing with client increase of the orders. They also price their final product according to the raw materials prices. For the raw material which cannot be negotiated, the company will just comply or look for other suppliers or substitute raw-materials.

**Substitutes.** The substitutes have not affected the company's business since the area is under innovated unless those people who have no information on fortified food and end up on eating normal food. The company has responded by educating the people on the need of eating fortified food as an emergency measure for malnutrition.

**Threat of new entrants.** The response to this challenge is that the company is expanding its operations by introducing new product range and installing new high capacity equipment and machineries. Other responses is being ISO certified. HACCP certified and marketing itself via company website, media and brochures.

**Competitive Rivalry.** The Company's response to this challenge is that most of its products are for export except the NGO orders. Motivation of the workers and better remuneration than competitors is also another response strategy.

**Government.** Most of the company response to this challenge is to comply. The other response is to lobby the government in time of need of assistance by the government.

**Shareholders.** Most of shareholders demand results in profit maximization. The company has responded to this challenge by introducing cost cutting measures like restructuring, production line automation, contractual employment and duplication of duties.

Creditors. The company responds to this challenge by keeping creditors who can pay on time. The company follows payment process as per agreement.

Employees. The company responds by motivating its staff, better remuneration, training and promotion. Also acknowledging the work done by an employee is a response they do.

### **5.2.3 Conclusion of the findings**

The company can only cater for 5% of the malnutrition cases in Kenya. Most of the respondents were of the view that this is not enough because they would like to do a lot. The operating and venture capital being the hindrance to this. Government input is needed in this by creating good business environment.

### **5.3 Recommendations**

Instaproducts (EPZ) Limited should have a company nutritionists employed purposely to study and analyze the malnutrition cases in Kenya and advise the company on the same so that the company can have a start point during its planning. The nutritionist in conjunction with the food scientists in production and laboratory will be able to come up with suggestions for cheaper food substitutes but with the right quality and specifications.

Also the nutritionists will be tasked to visit the donor organization like UN-WFP, UNICEF, e.t.c and exchange with their nutritionists and management. This information should be passed to the Instaproducts (EPZ) limited management which will keep it to have more response strategies to malnutrition challenges.

Instaproducts (EPZ) Limited should lobby for zero rated of all its food products through the Ministry of health, the UN Office and the NGOs Council because what it produces will help the government in reducing the malnutrition cases. This will help the company be profitable hence expand and cater for a bigger percentage of the malnutrition cases in Kenya. Hence KRA should exempt taxes to local customers so that the customer base can increase, hence increase in capacity and revenues.

The company should also lobby for the government to allocate or increase the budget for the ministry of health or arid land development in the office of the president to cater for malnutrition cases. By doing this, it will be able to get orders from the government through the relevant ministry.

I would also like to encourage the management and the staff to continue with the same spirit of ensuring work instructions and procedures are adhered to noting that one of the best strategies in a food industry is to observe cleanliness of the factory and right formulation of the food ingredients. This is not forgetting the good looking packaging materials, labeling (manufacture date, expiry date and batch number) and educative information.

#### **5.4 Limitations of the study**

There is no documented cases of malnutrition which Instaproducts (EPZ) Limited is able to cater for in Kenya. The 5% of the malnutrition cases in Kenya which the respondents say is what they are able to cater for is got from the analysis of the quantity of food it is able to produce and consumption rate per person compared to the malnutrition cases in Kenya from the international humanitarian agencies like action against hunger website.

The company does not deal directly with the malnourished people. It deals with the clients like NGOs. The clients will order a certain quantity of food product not necessarily divulging the number of people with malnutrition. So it may be very hard for the company to know the actual number of people with malnutrition they can cater for.

### **5.5 Suggestions for further research**

This area of malnutrition challenges needs to be researched further either as a survey to some extruded fortified blended food industries or the international humanitarian food agencies who are donors of the food which feed the malnourished people. Actual figures should be got and documented so that the government, the food manufacturer and the donor organization can be able to prepare and tackle the malnutrition cases in Kenya. Also the research should go further to identify the malnutrition challenges encountered by donor organizations and the response strategies they apply.

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## **APPENDICES**

### **APPENDIX I**

#### **LETTER OF INTRODUCTION**

July, 2012

Dear Respondent,

#### **MBA RESEARCH PROJECT**

I am a Master of Business Administration student of the university of Nairobi. I am conducting an interview with the sole purpose of gathering information on the malnutrition challenges in Kenya and how Instaproducts (EPZ) Limited has responded to these challenges. This study is being carried out for a management project paper as a requirement in the partial fulfillment of the degree of Master of Business Administration, University of Nairobi.

The information and data required is needed for academic purposes and will be treated in strict confidence. There is no instance with your name be mentioned in this research and the information will not be used for any other purpose other than for this research. A copy of research project will be available to the organization upon request. Your cooperation will be highly appreciated.

Thank you.

Yours Sincerely,

**Mburung'a Peter Amburuka**

**MBA Student**

**Dr. John Yabs**

**Supervisor**

**APPENDIX II**

**INTERVIEW GUIDE**

**PART A: BIOGRAPHICAL DATA**

- a) What is your position in the company?
- b) What is your department / section?
- c) How long have you worked in Instaproducts (EPZ) Limited?
- d) What is the company's vision?
- e) What is the company's mission?
- f) What is the company's values?
- g) What is the company's objective?

**PART B: GENERAL INFORMATION**

- a) What types of food do you produce?
- b) What are your target group (s)?
- c) Approximately how many tones do you produce for every target group (s) per year?
- d) What is your production capacity per day?
- e) What hinders you from attaining the capacity part B (d) above?
- f) Who are your clients?
- g) How do you ensure all the specifications for the product you are producing is attained?
- h) Are you ISO certified? If yes , how is it helping your organization in attaining its objectives in part A (g) above. If no, when are you planning to be ISO certified?

## **PART C: MALNUTRITION CHALLENGES AND ITS RESPONSE**

1. Some of the causes of malnutrition which can bring about its challenges in Kenya are:
    - i. Insufficient access to food due to insufficient rainfall hence drought
    - ii. Inadequate dietary intake due to few food varieties and lack of information through education
    - iii. Inadequate materials and child-care practices which involves mother feeding and breast feeding education
    - iv. Poor public health and inadequate health services (which involves drinking untreated water, poor sanitation and hygiene especially to slum dwellers which can result to diarrhea)
    - v. High population
    - vi. High food prices
    - vii. Political ideologies e.g. refugees, IDPs,
    - viii. Technology e.g. proper machinery, equipment for operation to attain set specifications, and technical personnel
    - ix. Diseases like HIV/AIDS, etc
    - x. Plus any of your additional causes
  
  - a) In light of above causes of malnutrition, what malnutrition challenges has Instaproducts (EPZ) Limited faced in its business from year 2004 to date?
  - b) How has Instaproducts (EPZ) Limited responded to each challenge identified in part C (a) above?
  - c) Are there challenges that Instaproducts (EPZ) Limited has been unable to respond to? If yes, which are they and why have they been unable to respond to them?
  - d) Malnutrition cases in Kenya today is about 10 million people. What fraction of this will you be able to cater for?
- 
- 2) How has the following, environmental factors affected /influenced you in response to malnutrition challenges? How have you responded?
    - a. Political factors
    - b. Economical factors

- c. Socio-cultural factors
- d. Technological factors
- e. Ecological factors
- f. Legal factors
- g- Bargaining power of the buyer (Client)
- h. Bargaining power of the seller(supplier)
- i. Substitutes
- j- Threat of new entrants
- k. Competitors
- l. Government
- m. Shareholders
- n. Creditors
- o. Employees.

### 3) Conclusion

- a. Are the responses to the malnutrition challenges by Instaproducts (EPZ) Limited adequate? Please explain.
- b. Have responses produced desired results?
- c. What else should Instaproducts (EPZ) Limited do to be able to respond to malnutrition challenges?
- d. Does Instaproducts (EPZ) Limited have necessary capabilities to respond to malnutrition challenges? If no, how can these capabilities be acquired
- e. Any comment(s)

**Thank you.**