STRATEGIC RESPONSES ADOPTED BY NAIROBI CITY WATER AND SEWARAGE COMPANY LIMITED TO CHANGES IN THE ENVIRONMENT

BY:

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DECLARATION

I declare that this research project is my original work and has not been presented to any other university for the award of a degree

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SUPERVISOR'S DECLARATION

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

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DEDICATION

This study is dedicated to my family and all those who supported me throughout the period that i was undertaking my studies for the Masters Degree.

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It is not possible to thank everyone who had an input into this research work, for the list is almost inexhaustible. However, there are those individuals without whom the research project would have been difficult to complete.

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To all those from Nairobi City Water and Sewerage Company who made time out of their busy schedules to respond to my interview questions. The study would not have been possible without your cooperation.

To my husband Titus, daughter Paullette and family members for your encouragement and patience during the period of my studies.

I give thanks to the Lord Almighty for His Grace and strength to realize my goals.

ABSTRACT

Organizations exist and operate in the context of complex environment with commercial, political, economic, social- cultural, technological, ecological and legal variables that are rapidly changing. The dynamism of the environment provides both opportunities and threats to an organization. While all organizations private or public experience environmental impacts on their operations, the effects may differ between different contexts. Coping with the environmental changes has called on firms to refine their strategies that match the challenges to environment. This research was a case study whose objectives were to determine the challenges faced by Nairobi City Water and Sewerage Company Ltd (NCWSC) in relation to the environment and how the organization responded to them. The objectives were achieved by collecting primary data using a structured interview guide which was presented through face to face interview. The respondents were both the management and unionisable cadre. The results of the study indicated that there were a number of challenges in the political, technological, economic, human resource management, existing infrastructure and legislation. Various strategies were adopted by the company to adapt to these challenges which included focusing, drawing long term strategic plans, ISO certification, rebranding, technological advancement and budget reviews. A large number of studies have already demonstrated the importance of strategy- environment fit and suggested that the strategic fit has strong performance implications. The findings of this therefore are in agreement with those from previous studies. The study further recommends that NCWSC should engage in more strategies like diversification as a response to more customer satisfaction.

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ABBREVIATIONS AND ACRONYMS

CCN   -   City Council of Nairobi

ERP   -   Enterprise Resource Planning System

ISO   -   International Standardization Organization

NCWSC   -   Nairobi City Water and Sewerage Company Limited

SPA   -   Service Provision Agreement

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations exist and operate in the context of complex environment with commercial, political, economic, social- cultural, technological, ecological and legal variables that are rapidly changing. According to Ansoff and McDonell (1990), organizations are environment dependent and environment serving. The dynamism of external environment provides both opportunities and threats to an organization .While all organizations private or public experience environmental impacts on their operations, the effects may differ between different contexts.

The environment is such a dominant influence that most organizations are unable to influence it, all they can do is to keep costs down, learn to be good as possible at changes in the environment and respond as rapidly as possible to such changes (Johnson and Scholes, 1997).Environment influences business operations and the ultimate success of every business should be managed in such a way that it has some strategic responses.

Crafting successful strategic responses depend on understanding the impacts of environmental changes, understanding the organizations strategic capability and managing expectations and influences of powerful stakeholders (Wakangu, 2010).

In order to address the problems associated with access and provision of water services, the Government embarked on the water reforms in 2002, through the Water Act 2002. The Act was to address the inadequate Institutional framework, inefficient operational and financial systems. From this reform the Government formed various institutions which were mandated with various responsibilities to effectively carry out this objective.

1.1.1 Environment and Organizations

According to Pearce and Robinson (2011), external factors influence a firm's choice of direction and action and, ultimately its organization structure and internal processes. Knowledge of the environment factors provides the ground for a strategic agenda of action. It highlights the critical strengths and weaknesses of the organization, animate the positioning of the organization in its industry, clarify the areas where strategic changes may yield the greatest pay off.

All organizations regardless of the nature of their business are always in constant interaction with the environment. The organizations depend on the environment for their continued survival; the organizations operate in an open system.

Organizations need to develop strategies that are best suited to their strengths and weaknesses in relation to the environment in which they operate. An organization may be seeking to add value by operating effectively, but a fast changing environment may offer little or no possibility for the management for the management to plan in advance. Such un-predictive environments make the task of devising a realistic strategy more than mere prediction about the future. Strategies have to be devised to cope with environmental uncertainty, (Lynch, 2009).

1.1.2 Strategic Responses

Strategic responses are concerned with decisions and actions meant to mitigate against turbulence and complexity of the business environmental with a view to achieving the business objectives and purpose. A response strategy aims at achieving strategic fit. It aims at achieving the correct positioning of the organization e.g. in terms of the extent to

which it meets clearly identified market needs. A response strategy is therefore environmental driven.

A response strategy just like strategic decisions is concerned with the scope of organization activities. Pearce and Robinson (2011) define strategic response as a set of decisions and actions that result into formulation and implementation of plans designed to achieve the firm's objectives. Strategic response entails evaluating available alternative strategic options, selecting and then implementing the most appropriate option for survival and growth. Porter (1985) came up with environment based strategies which every business even non – profit making needs to explore, cost leadership, differentiation and focus. Cost leadership entails providing your product or services at a lower cost as compared to what your competitor is charging. Differentiation involves providing products and services that are unique in the industry. Focus strategy involves narrowing down to a particular buyer, segment or market using both the cost or differentiation strategy.

Strategic responses to a changing competitive environment therefore entail substantial changes to organization long term behavior. This adaptation may be gradual or revolutionary depending on the nature and circumstances facing the organization. Locally, Sheikh (2000) conducted a study on strategic response by insurance companies following liberation and concluded that the companies in the industry consider strategic plans to be important. Kandie (2001) studied the strategic response of Telkom Kenya in a competitive environment and found that financial constraints and lack of managerial empowerment has limited the capability to respond to the environmental changes. Isaboke (2001) investigated the responses of the oil companies in Kenya to the threats of

the new entrants response included a combination of generic strategies and lobbying for a level playing ground.

1.1.3 Strategic Responses and Environmental Challenge

Porter (2005) observes that for firms to be able to retain competitive advantage, they need to examine their environment both external and internal and respond accordingly. Ansoff and McDonnell (1990) also points out that success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence. This is because each level of environmental turbulence has different characteristics, requires different strategies and requires firm capabilities. Each level of environmental turbulence requires a matching strategy and the strategy has to be matched by appropriate organizational capability for survival, growth and development.

There must be a strategic fit between what the environment wants and what the firm has to offer, as well as what the firm needs and what the environment can provide. The speed or response time to the environment challenges has been identified (Johnson and Scholes, 2002) as a major source of competitive advantage for numerous firms today. Kanter (2004) says that to adapt to environmental changes, firms require effective leadership. It is therefore necessary to examine what impacts leadership and strategic management have on organization in relation to its external environment.

1.1.5 Water Service Providers Sector

The ministry of Water and Irrigation is responsible for formulating the National Water Policy and to carry out reforms in the water sector. Among their major objectives is

increasing access to sustainable and affordable water services. The Government vision for the water and sanitation sector is to ensure water and improved sanitation availability and access to all by 2030 (Kenya Vision 2030, 2007). In order to address the problems associated with access and provision of water services, the Government embarked on the water reforms in 2002, through the Water Act 2002. The Act was to address the inadequate Institutional framework, inefficient operational and financial systems. The objective was to provide for management , conservation , use and control of water resources and acquisition and regulation of rights to use water, and provide for regulation and management of water supply and services, (Water Act ,2002).

The new statute created new institutions; Water services Regulatory Boards (WSRB) which was mandated with the responsibility of regulating and licensing water and sewerage provision and maintenance of quality standards, Water Services Boards (WSB) was mandated with the responsibility of provision of water and sewerage services within the area of their jurisdiction, Water Service Providers (WSP) appointed by WSB's under agreements with the function of retailing water and sewerages services to residents of their areas of a particular WSB. The plan of transfer of water services, Rules 2005 provide that WSPs may be community groups, Non-Governmental Organizations (NGOs) , private companies including those set up by local authorities for the specific purpose of operating water services (Mkhalama , 2010).

1.1.6   Nairobi City Water and Sewerage Company Limited

The NCWSC was incorporated as a private company limited by shares under the Company's Act (CAP 486). The shares are held by CCN, the Mayor as a trustee. It is

licensed under the Service Provision Agreement (SPA) signed between it and Athi Water Services Board (AWSB). The terms of the SPA were stipulated on the enactment of the Water Act 2002.

NCWSC was established in May 2004 as a provider of quality water and proper sewerage to the residents of Nairobi and its environs. It took over this service from the City Council of Nairobi. The company is supervised by Athi Water services Board (AWSB) under the terms of the SPA with the aim of ensuring adequate and quality supply of water, affordable tariffs, maintenance and improvement of water and sewerage infrastructure. It serves a population of over three million residents of Nairobi. The company achieves its objective by proper utilization of available resources in an effective manner. Though 100% owned by the City Council of Nairobi (CCN) it has operational autonomy to enable it run efficiently and without interference. The company has an independent Board of Directors constituting of professional individuals drawn from private sector organizations, professional bodies, the NGO sector and the CCN.

The new company faced a raft of problems, more than 2000 staff inherited from CCN, a six months backlog in billing among its consumers, a customer database that had not been updated for several years and liabilities which continues to pose a challenge in its operations. In addition less than 10% of its operations were computerized, aged water and sewerage infrastructure and un-matching demand to supply. Consumers also frequently faced acute water shortages, supply fails and illegal connections were rampant. Few customers had little confidence in the water services. It was against this background that NCWSC developed their first Strategic Plan 2007/2008 – 2009/2010). This pre- emptied

the Company to adopt new operational strategies like change of organization structures and internal operation procedures systems adopted in the company.

According to the Nairobi Water Sewerage company's quality policy statement, the company is committed to providing quality water and sewerage services that meet and exceed the needs and expectations of its customers. Further, it is committed to continual improvement of quality management system (ISO 9001:2008).

1.2 Research Problem

Strategic responses to the competitive environment cannot be overemphasized. The impact of external change on a firm's ability to respond to change and as markets become more turbulent, responsiveness to the external environment has in itself become a source of competitive advantage (Grant, 2005). The environment is dynamic and changes from time to time. Organizations therefore have to come up with strategies to adapt to the changing environment. Porter (1985) proposed the three generic strategies organizations can use to respond to challenges in the environment, these three generic strategies forms organization strategic responses and they include cost leadership, differentiation and focus.

NCWSC is a core partner to the Government of Kenya in the water sector as a provider of quality water and proper sewerage to the residents of Nairobi and its environs. The realization of the major objective of NCWSC is dependent on political environment, economic changes, technological changes, social-cultural changes, ecological changes. All this factors have affected the organization in a way that has made the management of NCWSC develop strategic responses to ensure the objective is achieved.

Various studies have been carried out to establish how organizations have responded to changes in the environment. Kandie (2001) studied the strategic responses of Telkom (K) in a competitive environment and found that financial constraints and lack of managerial empowerment has limited the capability to respond to the environmental changes. Lagat (2011) studied on the strategic responses to changes in external environment by Supermarkets and found out that economic and technological challenges were top on the list in the industry. Mbugua (2011) did a study of strategic responses to Industry environment by the CIC Group Ltd and found that CIC experienced challenges in the environment and adopted varying strategic responses.

All the above studies were carried out on a different context no study had been undertaken to evaluate the strategic responses NCWSC has adopted to the turbulent environment hence creating the gap and this study will fill the gap. This study therefore sought to answer the research question; what are the strategic responses adopted by NCWSC in responding to the changes in the environment?

1.3 Research Objectives

The objectives of this study were:

i. To determine the environmental changes that affected Nairobi City Water and Sewerage Company Limited.

ii. To determine the strategic responses adopted by Nairobi City Water and Sewerage Company Limited to environmental change.

1.4 Value of the Study

The study will contribute to the body of knowledge by filling the gap regarding strategic responses to environmental challenges in the water sector. The study will also contribute to strategic management knowledge for use by academicians, scholars, and researchers as a point of reference.

The study will help the management of NCWSC in identifying factors of the environment that affect the organization and hence make informed decisions and appropriate strategic responses for continued survival and growth. The company will benefit from the findings in that it will be in a position to identify its strength, weaknesses, opportunities and threats.

The research will impart knowledge on the government on the policies and regulatory framework in the water sector. The government will be able to put effective policies and regulations to help the water sector in dealing with the challenges.

CHAPTER TWO : LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of the existing literature and on the theories that provide the framework that will guide this study.

2.2 Concept of Strategy

According to Pearce and Robinson (2011) the purpose of strategy is to provide directional cues to the organization that permit it to achieve its objective whilst responding to the opportunities and threats in the environment. Strategy is a multi-dimensional concept and various authors have defined strategy as the match between an organizations resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish.

According to Thompson and Strickland (1993) there are five tasks of strategic management, all within the strategy formulation and implementation function. These include, developing a business concept and forming a vision of where the organization needs to be headed, in effect giving the organization a sense for purpose, providing long term direction and establishing a mission, converting the mission into specific objectives, designing a strategy to achieve the targeted performance, implementing and executing the strategy efficiently and effectively and evaluating the performance.

Pearce and Robinson (2002) say there is need to adopt new strategies that match the challenges from the environment. Reengineering, downsizing, self-management and outsourcing are some of the dominant strategies that have been used for restructuring in the 1990's.

Ansoff and McDonnell (1990) asserts that the management system used by a firm is a determining component of the firm's responsiveness to environment changes because it determines the way the management perceives the environment, diagnosis their impact on the firm, decides what to do and implements the decisions.

2.3 Strategic Responses

According to Johnson and Scholes (2002), dealing with the environment is difficult because of three factors. First is the diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may not be of much use because no overall picture emerges of the really important influences on the organization. The second difficult is the speed of change. The pace of technological change and the speed of global communications are faster than ever. Third is the complexity, managers try to change what is happening by focusing on the few aspects of the environment which have been historically important.

Porter (2005) observes that for firms to be able to retain competitive advantage, they need to examine their environment both internal and external and respond accordingly. The success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to the level of environmental turbulence. When firms are faced with unfamiliar changes, they should revise their strategies to match the turbulence (Ansoff and Mc Donnell, 1990).

According to Porter (1998), strategy is about competition and the means by which an organization tries to gain a competitive advantage. The fundamental basis of above average performance in the long run is sustaining competitive advantage. Though an

organization can have a myriad of strength and weaknesses, there are two types of competitive advantage it can poses, low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which the organization seeks to achieve them leads to the generic competitive strategies for achieving average performance (Porter, 1998).

2.3.1 Low Cost Leadership Strategy

The strategic logic of cost leadership requires that an organization be the cost leader. The cost leadership is a strategy particularly dependent on preemption, unless major technological change allows a firm to radically change its cost position (Porter, 1985).

Low cost leadership is based on lower costs than competitors. Organizations drive their cost lower through tight cost and overhead control, cost minimizations in areas such as service, selling and advertising (Porter, 1998). Hambrick (1983) argues that the main dimension of the cost leadership strategy is efficiency, the degree to which inputs per unit of output are low. A cost leadership strategy is designed to produce goods and services more cheaply than competitors by stressing efficient scale of operation.

Profits are the difference between what the organization gets for producing something and the cost of making it, an organizations competitive advantage must ultimately come from offering customers something different at the same or higher price than their rivals, or offering customers something similar at a lower price. Cost leadership always works, but to do it requires that the organization has more economies of scale, and is further along the experience curve than its rivals (Clark, 2000).

2.3.2 Differentiation Strategy

In differentiation an organization seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it-self to meet those needs. It is rewarded for its uniqueness with a premium price (Porter, 1985).

Successful differentiation is based on a study of buyers' needs and behavior in order to learn what they consider important and valuable. The desired features are incorporated into the product or the service to encourage the buyer preference of the product. Competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to charge a premium price for its product.

Kotler (2001) sited that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost.

Miller (1998) noted that there are at least two different types of differentiation strategy, those based on product innovation and those based on intensive marketing and image management. An organization can make its products different from those of its rival in terms of quality, branding, aesthetics, durability or taste (Clark, 2000).

2.3.3 Focus Strategy

This strategy rests on the choice of a narrow competitive scope within an industry. The focus strategy has two variants, the cost focus which seeks a cost advantage in the target segment and the differentiation focus which seeks differentiation in the target segment

(Porter, 1985). Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

The basis for competitive advantage is either offering lower costs than the competitors serving that market segment or an ability to offer niche members something different from the competitors. Focusing is based on selecting a market niche where buyers have distinctive preferences. According to Hill and Jones (2001), focus strategy concentrates on serving a particular market niche, which can be defined geographically, by type of customer or by segment of a product line.

2.4 Environmental Challenges

Organizations interact continually with the environment and firms depend on the environment for their continued survival. Ansoff and Mc Donnell (1990) argued that business firms are in a constant two way interaction with the environment. They receive an assortment of resources from the environment and after a transformation, deliver them back to the environment in the form of goods and services.

To be successful an organization must be in tune with its external environment. The speed or response time to the environmental challenges has been identified as a major source of competitive advantage for numerous firms in today's intensely competitive global economy (Pearce and Robinson, 2005).The environment is important and an organization has to deal has to respond to its dynamism , heterogeneity, instability and uncertainty (Thompson , 2005).

Pearce and Robinson (2005) states knowledge of these underlying sources of competitive pressure provides the ground work for strategic agenda of action. The highlight of the

critical strengths and weaknesses of the company, animate the positioning of the company in its industry, clarify the areas of strategic changes that may yield the greatest payoff.

2.5 Environment and Strategic Responses

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Ansoff and McDonnell (1990) also point out that the match between strategic responses and strategic aggressiveness and how these are matched to level environmental turbulence determine the success of every organization. Each level of environmental turbulence has different characteristics, require different strategies and different organizations capabilities. Effective strategy may enable a business to influence the environment in its favor and even defend itself against competition. To adapt to effective environmental changes, organizations require effective leadership. To survive in a dynamic and highly competitive business environment, different organizations have had to engage various strategies to survive. One such strategy is the generic strategies, the cost leadership, differentiation and focus (Porter, 1998).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a blueprint of the methodology that will be used by the researcher to find answers to the research question. In this chapter the research methodology will be presented in the following order, research design, data collection and finally the data analysis.

3.2 Research Design

Research design is the general plan of how one goes about answering the research questions (Saunders et al., 2007).Research design is the conceptual structure within which research is conducted, it constitutes the blue print for the collection, measurement and analysis of the data (Koithari, 2011). It reveals the type of research.

This research is by way of case study.According to Koithari(2011) , a case study is a popular form of qualitative analysis.This qualitative research gives clues to the perceptions of the population under study in this case the staff of NCWSC.A case study is a method of study that drills down, rather than cast wide (Kubai,2010).

3.3 Data Collection

Primary data was used for this study. The interview guide was administered to employees of NCWSC who comprised of ten management staff and ten unionisable staff. This allowed the interview to be much more like conversations than formal events. The interview guides were administered on a face to face basis. This was used in order to gain

a better understanding and possibly enable a better and more insightful interpretation of the results from the study.

The interview guide comprised of three parts. The first part collected data on the general background information, the second part on the changes in the environment and the third part on strategic responses adopted to address the changes.

3.4 Data Analysis

Data collected was qualitative in nature and hence was analyzed based on content analysis. The findings of the data analysis enabled the researcher to identify the responses adapted by NCWSC to changes in the environment. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed description of objects, items or things that comprise the sample.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. The method of data collection was done through interview guide which was developed in line with the objectives of the study. The research objective was to determine the strategic response adapted by NCWSC to changing environment.

Primary data was collected from twenty employees both in the management and unionisable staff. To achieve the objectives of the study the interview was broken into three sections, section A was the interviewee profile, section B was to identify the changes in the environment and finally section C was to identify the strategic responses adopted.

4.2 Sample Response Rate

The interview guide was administered on a face to face basis. Out of the target twenty respondents only sixteen responded. This represents a response rate of 80%. The rate was considered as an adequate representation of the population for the purpose of making conclusions.

4.3 Demographic Information

Age	Frequency	Academic Qualification	Frequency	No of years in NCWSC	Frequency
25 – 35 Years	3	Diploma	6	0 - 5 Years	4
35 – 45 years	8	Undergraduate	8	5- 10 Years	3
Over 45 years	5	Post graduate	2	Over 10 Years	9

The study established that majority of the respondents were male and were aged mostly between 35 – 45 years. Majority of the respondents are holders of undergraduate level of education, this shows that most of the employees have at least a certificate level of education and therefore understand the issues sought by this study. The researcher had sought to know the number of years the respondent had worked for the organization. According to the responses, majority of the respondents had worked in the organization for more than 10 years. This implies that the respondents had worked in the organization a long enough duration of time and therefore were all versed with the organization and the issues sought for study.

4.4 Environmental Challenges

The interviewees were asked to say what they understand by changes in the environment. From the responses the respondents were informed in terms of their understanding of the

changes in the environment. The interviewees were unanimous that the environment was volatile and dynamic. The change was defined as an event that occurs when something passes from one state to another.

4.4.1 Political Challenges

The interviewees further indicated that changes in the environment have affected the business operations at NCWSC. The respondents identified political changes as having affected the organizations operations, the change of leadership in the government persistently interfered with the board's membership which was politically appointed. The political instability after the post-election posed a high challenge on the operations.

4.4.2 Information Technology

The organization is still lagging behind on Information technological advancements through automation of its services and operations. The respondents indicated the organization was in the process of acquiring an ERP, seven years after its inception and trial of various operating systems. New and experienced ICT staffs have been recruited competitively to handle the development and implementation of the new operating system.

4.4.3 Legislation Policies

The respondents indicated that legislation policies that govern the water sector as a challenge. The water tariffs are regularized by the government and the organization has to comply with the rates. The tariffs are not regularly revised to match the inflation rates in the market.

4.4.4 Economic Changes

The study revealed the taxation policy in the country was not exemption to water service providers. Despite the organization being a government agent to supply water to its citizens it was not exempted from taxation. A huge taxation debt has accumulated in form of un- realizable revenue due to wrong billings. The high inflation rates were a challenge to the organization as it procured its products from the general market and the need to import most of the products which are not available locally like the water treatment chemicals. The global financial crises affected inflation rates to an upward trend.

4.4.5 Social – Cultural Changes

The respondents identified high rural – urban migration that has led high population in the city and informal settlements. The organization is not able to satisfy the population demands with its current operating capacity. The changes in lifestyle where most city residents want to own homes in Nairobi other than retire to the village after working life. The purchasing power of the persons living in the informal settlements was low to be able to pay promptly for the services they received.

4.4.6 Dilapidated Infrastructure

The interviewees indicated the dilapidated infrastructure which was done at independence. No improvements have been carried out since then. Regular water and sewerage bursts were caused by the aged infrastructure.

4.4.7　Ecological Changes

The respondents indicated the organization suffered from un-predictive climatic change which results to lack of water during the dry spell and floods during of excessive rainfalls. The organization though has dam reservoirs the demand is way beyond the supply to sustain the supply in times of long dry spell

4.4.8　Human Resource Management

The organization inherited a work force from the CCN, the workforce comprised of highly un-skilled labor and was lacking in the top management. To effectively carry out the operations recruitment a key management had to be competitively recruited to give leadership in the operations. The new personnel came with high demand for better working conditions, better remuneration and benefits. To match the new employees to the inherited workforce continued evaluation and job placements was to be done which the respondents indicated has not been effective and still on progress.

4.4.9　Other Changes

Respondents cited other environmental changes as increased customer demand to provide effective, timely of quality services and product. Due to the gap in automation the organization has continued to face the challenge of customer demand for quality service which is not easily attainable with the existing operation systems.

4.5　Response to the Challenges

There has been a challenge of surviving these changes. Some of the strategies were based on adapting to the environmental changes, others were involved to influence the

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environment and others involved selecting a new environment. Some of these challenges brought profitability down while focusing on customer satisfaction.

4.5.1 Long-Term Strategic Plans

The organization has so far developed two strategic plans covering the period 2005 to 2008 and 2008 to 2013. Both strategic plans document the strategies that NCWSC has either adopted or plans to adopt in order to counter the challenges posed by environment. The interviewees were in accord that the importance of long term planning on strategic responses was to improve the company's operations and to enhance assessment of the relevant groups such as customers, suppliers, creditors, government, employees so as to align the strategy with the current environment.

4.5.2 Focusing Strategy

The interviewees indicated the organization responded to the social – cultural challenge by segmenting the market. The services offered in the informal settlements were charged at a price specified for the area; the supply was done through bulk meters at a central place for effective distribution to all. These findings are similar to the Porter (1980), three generic types of strategies that are commonly used by the businesses, cost leadership, differentiation and focus. The interviewees further indicated the organization segmented their customers in terms of their consumption volume and grouped them in categories of high consumers and ordinary consumers for effective management of them.

4.5.3 ISO Certification Strategy

The respondents indicated that NCWSC has streamlined its internal systems and processes to be able to respond to the demands resulting from the environment, NCWSC

became ISO certified in Sept 2010. The company has complied with the regular internal and the external audit as per the requirements of certification. Business process owners have maintained documented procedures and policies in the areas of operations to comply with the objectives of certification and ISO certification requirements.

4.5.4 Strategic Human Resource Management

In addition the study revealed that NCWSC engaged in strategic human resource management through competitive hiring management staff, improving staff working conditions, change management through staff development and training.

4.5.5 Budget Reviews Strategy

Management has laid much more emphasis on budgeting and formal planning for expenditure Budget variation are analyzed and explanations sought from the business process owners. Monthly budget reviews are held to analyses the position of the organization. Monthly management reports with variance are tabled to the Board of management for review of the organizations performances after the month end.

4.5.6 Other Responses

The study further revealed that various measures were put into place to mitigate the appropriate changes; the company is in the process of rebranding the second time. Since the first rebranding which identified the organization as "a new beginning" it has now been seven years and the slogan is no longer relevant to the changes in the environment, the departmental restructuring to strategically fit to their functions. In addition the interviewees revealed there was upgrading and installation of more advanced operations systems to align to the update technology and strong financial strategies to improve

profitability. These findings are similar to the Porter (1980), three generic types of strategies that are commonly used by the businesses, cost leadership, differentiation and focus.

The interviewees of the study were requested to indicate whether these strategies had been successful in responding to the environment. Majority of the interviewees indicated the responses have been successful to some extent citing that this has been through involvement of staff in all cadres in implementation as well as participation of the stake holders in policy review. They further indicated the responses were both reactive and proactive to the changes in the environment.

The interviewees agreed that the strategies NCWSC used to react to the change in environment were successful indicating that there has been more customer satisfaction, increase in revenue base, cost reduction. These findings concur with Johnson and Sholes (2003), recommended that for companies to remain competitive, they should adopt strategies directed at improving the effectiveness of basic operations within the company.

The interviewees were requested to indicate the method that NCWSC used to communicate the strategic response; the respondents indicated that the response was communicated through sensitization forums, customer service charter, postings in the website and noticeboards. Quality statements were posted in the common meetings rooms and offices for communication and reminder of the company commitment to quality.

The study sought to establish whether the applied strategic response had been helpful in assisting the company to cope with its challenges strategic responses are aimed at

strengthening the position of the company in taking opportunities and or dealing with threats in the environment. Effectiveness of the applied strategic responses is critical if the organization needs to position itself. The strategic response has facilitated the efficiency of NCWSC in providing quality services to the customers.

To the question as to whether there had been any changes in regulation policies that had affected operations, the interviewees agreed there had been changes citing the water Act and enactments of water regulation bodies.

4.6 Discussion of the Findings of the Study

The objectives of this study were to identify the environmental changes faced by NCWSC and to determine strategic response taken.

Data analysis and interpretation of responses from NCWSC employees revealed that NCWSC has faced a number of challenges emanating from the environmental changes and has adopted responses to deal with the challenges. The findings are in agreement with the views of various scholars, Johnson and Scholes (2002) and Porter (1980), who agree that for organizations to remain successful they must assess and respond to the environment within which they operate.

The study found that the NCWSC has experienced environmental challenges ranging from technological, economic, political, social-cultural, new legislations, increased customer demands, employees demands, departmental functions that are not specific, lack of homogeneity on procedures, the lagging behind of legislation , regulations and policies inherited from CCN. The challenges impeded the ability of NCWSC to take a fast move to improve its operations.

The study found that the changes that have been experienced in the organization in regard to the environment and the strategies employed were intended to improve the operations of the organization were such as a differentiating the market. Sheikh (2000) found that differentiation strategy is an approach under which a firm aims to develop and market unique products for different customer segments. The findings are in agreement to the empirical literature in this area of study. Maina (2010), Angara (2010), and Lagat (2011) found that the organizations that their respective studies focused on responded to the environment in different ways. The findings of the study that the environment within which NCWSC operates is dynamic are in agreement with the findings of these other studies. The implications of these findings are that the water service providers must respond to the environment changes within which they operate in order to remain effective and efficient in their respective roles.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the key findings, conclusion drawn from the findings highlighted and recommendation of the study based on the defined objectives.

5.2 Summary of Findings

The interviewees whose responses from the body of findings indicated they had worked with NCWSC for a period of at least five years. This implies that they had worked for a duration to be well versed with the organizations and the issues sought by this study. The study found that change in environment is when an event occurs when something passes from one state to another.

The interviewees indicated that the environment within which NCWSC operated was volatile and dynamic with distinct technological changes, social – cultural changes, increased customers demand for quality, new regulatory guidelines, increased inflation due to global financial crises. Further the study found that the organization was faced by challenges emanating from political interferences, legislation policies, human resource management, rural-urban migration which has increased the demand for services, dilapidated infrastructure.

To address the challenges the study found that NCWSC implemented strategic responses ranging from drawing long term strategic plans, focusing through market differentiation and pricing, streamlining of internal processes documented to meet the ISO standards,

strategic management of human resource, budget reviews through variances, adoption of new operating systems to close the technological gap.

The study found that NCWSC communicates the strategic responses to all through postings in the notice boards, the web and circulars and involvement of the entire staff in implementation.

5.3 Conclusion

The study was designed with two objectives. The first was to determine the environmental changes facing NCWSC and secondly to identify the responses adopted by the organization due to this changes. It can be concluded that there has been a number of environmental changes that which have adversely affected NCWSC. To deal with these changes the organization has adapted various strategic responses. The two objectives of the study were achieved.

The study concludes that the challenges in the environment that affect the operations of the organization were technological advancements, inflation rates, political interferences, legislation, dilapidated infrastructure, human resource management, climatic changes, rural–urban migration.

The study further concludes that NCWSC had adopted various responses to mitigate the environmental changes. This included the drawing of the long strategic plans, the focusing strategy to segment the customer and price as per the clientele, ISO certification to meet the customers demand for quality and improve on internal processes, budget

reviews to maintain profitability and cost reduction, the acquiring of new operating systems to close the technological gap and rebranding.

The study concludes that the strategies NCWSC adapted were successful in that there has been improvement of operations, increased customer confidence on the services provided, more motivated workforce.

5.4 Recommendations

From the discussions and conclusions this study recommends that NCWSC should regularly scan its environment to ensure a timely and effective response to the challenge. This is in view of the volatile environment the organization is operating in.

The organization should not only concentrate on equitable distribution of water and sewer services but should consider diversification strategy for its products in terms of bottled water to match the emerging life-style of the city residents and gain competitive advantage over other firms in the same business.

The study further recommends the company should recruit employees who have the necessary knowledge and competence on technology to effectively develop and implement the operating system in the process of procurement.

5.5 Limitations of the study

This was a case study focusing on one service provider and cannot be generalized to other water service providers. There were some specific factors that may not be applicable in different regions of operations; therefore the findings of this research may have some variation to other water service providers.

During the study a number of limitations were encountered which includes in- sufficient time with the respondents to do a deeper inquiry on the issues sought by the study due to their tight time schedule.

However this does not degrade the quality of the study as the execution was done with great care to minimize these limitations.

5.6 Recommendations for Further Research

The study recommends that further research should be done on other water service providers so as to get comprehensive information on how other organizations have responded to the challenges posed by changing environment.

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APPENDIX : INTERVIEW GUIDE

STRATEGIC RESPONSES ADAPTED BY NAIROBI CITY WATER AND SEWERAGE COMPANY TO CHANGES IN THE ENVIRONMENT

Section A: Background Information

1. Name …………………………………………………………………….(**optional**)

2. Gender……………………………………………………………………………

3. Position at NCWSC …………………………………………………………….

4. Age …………………………………………………………………………………

5. Highest Academic Qualification ………………………………………………….

6. For how long have you been working with NCWSC? ………………………….

Section B: Changes in the Environment

1. What do you understand by changes in the environment …………………………………………..

2. How do you think NCWSC have been affected by these changes? ……………………………….

3. What are some of the changes that have taken place in NCWSC over the last 5 years ………………………

4. How have these changes affected NCWSC in the areas below?

    i. Profitability

    ii. Customer Satisfaction

    iii. Quality Service Delivery

5. Have there been any changes in regulation policies that have affected your operations?

Section C: Strategic Responses

1. What is your view on the importance of long term planning on strategic responses to changes in the environment for your company's future?

2. What strategies have NCWSC adopted to respond to the environmental changes?

3. Were you involved in the formulation of the response strategies?

4. Do you consider the response strategies adopted to be proactive or reactive to the environment?

5. Have there been any improvements in performance?

6. Are the response strategies effective?

7. Which method was used to communicate the strategic responses implemented?

8. In your opinion is adoption of the response strategies to environment factors of any value to the organization?

Thank You