

**RESPONSE STRATEGIES ADOPTED BY CHELI AND PEACOCK LIMITED  
TO THE CHANGING EXTERNAL ENVIRONMENT IN KENYA**

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**A RESEARCH PROJECT PROPOSAL SUBMITTED IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER  
OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS,  
UNIVERSITY OF NAIROBI**

**OCTOBER 2012.**

## Declaration

I the undersigned declare that this is my original work and has not been presented to any other university for academic credit.

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JAMES KAMAU MWAI

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DATE

The project has been submitted for examination with my approval as the University supervisor.

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Prof. Peter K'Obonyo

University supervisor

Date.....

## **Acknowledgement**

While it is not possible to thank everyone who inspired or assisted me in one way or the other in undertaking this work, I wish to recognize the following, My supervisor Prof. Peter K'Obonyo who gave me professional advice and direction on how to go about the research project. Professor, am honoured and grateful for the great help you have been throughout this process. My God for the favour and provisions in all areas that have enabled me to get this far. During the turbulent times and changing environment he remained forever faithful. My family for the sacrifices they had to make and support they offered all through. My son Prince who questioned me if I was also given homework yet I did not go to his school. I was not able to be with them all the time and their encouragement and prayers has finally seen me achieve my dreams. Finally, I appreciate my colleagues at Cheli and Peacock Limited for their support while undertaking the interviews.

## **Dedication**

This project is dedicated to my dear wife Hellen Nyambura and our sons Prince Baraka and Alpha Mshindi for their endless love, tolerance, encouragement and support. May this be an inspiration to you to strive for even greater heights. My Parents, Mr & Mrs. Joseph Mwai and brothers Michael and Gatimu for your endless encouragement and support.

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## **ABSTRACT**

Turbulence in the environment means organizations must develop response strategies for them to remain in business. The more hostile the external environment is, the more an organization needs to respond to it, the more difficult it is to carry out work and the more defensive the organization must become. The external environment can provide both facilitating and inhibiting influence on organizational performance. Multiple influences in the immediate or proximal environment form the boundaries within which an organization is able to function; these influences likewise shape how the organization defines itself and how it articulates what is good and appropriate to achieve.

This has been the situation in Kenya for companies operating in tourism industry since year 2007. The global economic environment has been so unpredictable that many firms are forced to always have contingency measures to avert the adverse effects of the highly erratic environment. The tourism industry in particular has been bedeviled by a images of post election violence, global economic crisis and threat of terrorism combined with technological advancement. This research was an attempt to understand how an organization responds to the influences of the erratic external environment and how the forces outside the organizational boundaries help to shape the organization. The specific objective of the study was to establish the response strategies Cheli and Peacock limited has employed

to cope with the turbulent external environment. The study used a case design which was the most suitable in this situation where questions like where, how and when are used to investigate on a certain phenomena to describe the real position. An interview guide was used to collect primary data from the four managers who formed the task force that developed strategies Cheli and Peacock was to adopt. The qualitative data collected was then analyzed through narratives. From the study, it was discovered that for the company to remain competitive in the market, it adopted strategies which include; strategic marketing, restructuring, investment in information technology and training of staff.

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# **CHAPTER ONE INTRODUCTION**

## **1.1 Background of the study**

An organization has forces that help shape it. These forces can be within the organization its self and others outside the walls of the organization which are referred to as the external environment. Today's business environment is more turbulent and change is constant. Stability of the market has been wiped out by constant changes of technology, new competitors, new products and globalization which have brought competition to the local level. Indicative of some of the changes that organizations can expect in a global environment are the trends such as China's renegade province of Guangdong. This province has embraced an almost purely capitalist economy that is growing faster than nearly any other in the world. It grew by 27.2% in 1991, (Gibney, 1992). Such an environment makes it very hard for any company to keep the lead as each tries to cope with the turbulence for survival.

Kenya has been an economic powerhouse in the East African region for a long time and one of the major economies in Africa. The country enjoyed steady economic growth from a low of negative 1.5% in 2002 to a high of 7% in 2007 according to Kenya Monthly economic survey (April 2009). This has been due to improved government policies on major sectors of the economy like education, Agriculture, infrastructure development and Tourism. This steady growth was however dealt a major blow by the post election violence that occurred at the end of 2007 after the disputed presidential

election. The skirmishes coupled with the effects of the global financial crisis, disruption of flights from Europe due to volcanic activities, Al Shabaab attacks and kidnapping in Lamu's Kiwayu Safari lodge, high fuel and food prices and inadequate rainfall in various parts of the country reduced GDP growth to 1.7% by the end of 2008 down from 7.1% in 2007 as per the Kenya Monthly economic survey (April 2009). Kenya's public and publicly guaranteed debt increased by 14.1% by the end of 2008 to stand at 992.9 billion from 870.6 billion by end of 2007. Over the same period the Kenya external debt increased by 17% from 440 billion to 514.7 billion over the same period on account of the depreciating Kenya shilling against major currencies as per the Kenya Monthly economic survey (April 2009)

### **1.1 .1 The Concept of strategy**

There are as many definitions as there are strategic scholars. According to Johnson and Scholes (2003), strategy is the direction and scope of an organization over the long term. This gives an organization a competitive advantage through its configuration of resources within a changing environment to fulfill stakeholder expectations. According to Porter (1998), strategy is basically about competition and the means by which an organization tries to gain competitive advantage. He further states that competitive strategy is a broad formula for how a business is going to compete, what goals should be pursued and what policies will be needed to carry out these goals.

Mintzberg (1994) sees strategy as a plan, a ploy, a pattern, a position and a perspective. According to Hill and Jones (2001), strategy is an action a company takes to attain one or more of its goals. Precisely; it's an action that a company takes to attain superior performance. To Pearce and Robinson (2003) strategy reflects a company's awareness of how, when, and where it should compete against who and what purpose. Strategy can also be said to be the way an organization responds to changes in the environment. It is the game plan that a firm has in order to acquire a competitive edge in the market arena. An organization success is dependent on how well it is able to predict and respond to changes in the environment and the requirements of the stakeholders.

### **1.1.2 Environmental Changes**

Environment influences can be thought as layers around an organization with outer layer making up the external environment according to Johnson, Gerry (2008). A business is like an ecological entity. It has mutual relations with other entities called stakeholders, Rowe (1994). Stakeholder is anyone whose action can affect an organization or who is affected by the organizations action. Like an ecosystem, a business environment holds opportunity and threats. Successful managers are the ones who are able to find market niche in their firm's environment that are particularly well suited to the products, services and capabilities the organization offer. An organizations ability to cope with a changing environment is probably the most important determinant of its success or failure in free enterprises system. Changes in the consumer tastes, political conditions, market structure

or technology cannot only affect individual companies but also make or break an entire industry.

Kenya experienced turbulent times brought about by the politics surrounding the results of the presidential election in December 2007 and the resulting violence. While the tourism industry had no way of predicting what will happen, they were not immune to the effects of actions taken on the political arena. Changes in the information technology means business have to adopt to remain afloat. Businesses have to look at the advancement of information technology with a keen eye to scout for opportunities that will help them remain a step ahead of their competitors. Internet, Social media like facebook and twitter among other has brought new challenges on how information flows and organizations have to manage this strategically to their advantage. The global economic crisis affecting the Europe and United States of America had great impact in the world travel industry. Kenya's tourism industry is greatly dependent of Europe and America as leading source of tourist hence the economic meltdown in these two regions had a direct effect of reduced tourist numbers. Terrorism have a great influence when one is making a choice for a holiday destination. Al Shabaab kidnapping and terror attacks in Kenya and their reporting on international media has made Kenya rank low among the preferred holiday makers as they fear for their safety.

### **1.1.3 Response Strategies**

Today's business environment is constantly changing forcing organizations to reengineer the way they provide their services due to social, economic, political, competitive pressures. These trends indicate that companies must change the way they conduct their business to remain competitive and profitable, Rowe (1994). Ngugi (2007) in a study of companies doing taxi business in Nairobi observed that they had to respond by customizing their services to remain relevant. The world is becoming a truly borderless and successful companies are the one that has a global outlook (Sera, 1992). Changes in the environment means organizations must have reformed capabilities for strategies to work. Organizations in industries that are fast changing respond differently. While some respond by improving their products, others resort to aggressive marketing, diversification, divestiture and still others by ensuring operational effectiveness.

Strategic issues are future oriented and requires large amount of organizations resources and thereby offering challenges to most organizations of how to manage the strategy. Strategic issues often affect the organization's long-term prosperity and therefore have enduring effects on organizations for better or worse. They are based on what managers forecast, and not what they know. In a turbulent environment, an organization will succeed only if takes a proactive (anticipatory) stance towards change (Migunde, 2000). Environmental forces have a great effect on a company's positioning, market segmentation, types of products offered and type of business to sell or acquire Mutugi

(2006) An organization will feel the impact of these changes through its staff, clients and its portfolio resulting to numerous pressures as the organization creates self-sufficiency.

In this respect organizations are forced to device strategies to counter these environmental changes in form of strategic responses. These responses if well formulated and implemented helps fight off these external pressures that can threaten the well being of an organization.

Porter (1980) suggests three generic strategies which are seen to be potentially successful approaches to out performing other firms in the industry. These approaches are overall cost leadership, differentiation and focus. Pearce and Robinson (1997) noted that firms could sometimes pursue more than one approach as its primary target. They argued that a long-term or grand strategy must be based on a core idea about how a firm can best compete in the market place. Cost leadership strategy according to Porter (1985) is an integrated set of actions designed to produce products at the lowest cost relative to the competitors with features that are acceptable to customers. This requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like research and development of sales force, and advertising.

The focus strategy involves narrow market segments products category or certain buyers. This helps firms narrow their operations to specific markets and thus achieve competitive advantage. According to Porter (1980) this strategy rests on the premise that the firm is

thus capable to serve its narrow strategic target more efficiently and effectively than competitors who are competing more broadly. The focus strategy therefore helps firms to direct their strategic plans to align themselves to the environment (Chepkwony, 2001). Differentiation involves distinguishing of products or services offered by a firm and creating something that is perceived in the industry as unique. It can be achieved through design or brand name, technology, customer service, dealer networks and other dimensions. Pearce and Robinson (1997) observed that strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. They noted that differentiation provides insulation against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to prices. It also causes an increase in margins which avoids the need for a low cost position.

Restructuring is another strategic response to the turbulent external environment. Structures as defined by Watson and Rosenfield (1996) is the established pattern of relationship between component parts of an organization outlining communication, control and authority patterns. In essence structure distinguishes the parts of the organization and delineates the relationship between them. One of the major activities of restructuring is the business process re-engineering. According to Hammer (1996) companies can dramatically improve their efficiency and quality by focusing on customers and qualities that create values for them. Technological advancement is another strategy that can be adopted to ensure the firm deals with the turbulent environment. This is how the rapid pace of change in information systems and product



innovation affect a business. Technological advancements help to shape a company's way of producing products. Technology changes will occur every day, every hour, and every second. It is always a way to improve a product and extensive research proves that. Tourism is a technologically intensive industry and companies have to invest heavily in technology in order to be able to serve customers and beat competition. Porter and Miller (1985) argue that information technology can create new business opportunities from within existing activities. McFarlan et al (1983) asserts that information technology offers a scope for product differentiation that enables the company to effectively service the needs of its market niche.

Strategic Marketing is a process by which individuals obtain what they need and want through creating and exchanging products of value with others. Basically it's all about satisfying customer needs and wants (Kotler and Armstrong 1999) Marketing helps to define an organization's mission as well as analyzing the environment competition and business situations. It therefore plays a major role in the organizations strategic planning process. The strategic marketing responses are based on the marketing mix elements of product, price, place and promotion.

### **1.1.3 Cheli and Peacock**

Cheli & Peacock is a family business owned and operated by Stefano Cheli and Liz Peacock. The company started in 1985, and has been running it hands-on ever since. Both safari guides and having grown up in Kenya, Liz & Stefano created the business to share safari in the wilderness with others. From 1985 Cheli & Peacock operated lavish private tented safaris with professional guides, often Stefano or Liz themselves. Camps were sent ahead and pitched on virgin sites, so when clients arrived the fire was going and the gin and tonics ready. The camps became more elaborate over the years from a Landrover and trailer for 6 people in the early days, to two 6ton lorries for 6 people. The company soon developed a reputation for professional service, outstanding food, attention to detail and that well worn phrase – “holidays of a lifetime”, per [www.chelipeacock.com](http://www.chelipeacock.com) (02<sup>nd</sup> June 2012). Liz & Stefano were operating “eco-tourism” before it was a buzzword; employing from the local communities and supporting both National Reserves and community conservation initiatives. In 1994 Stefano designed and built Tortilis Camp in Amboseli, a unique concept at the time – beautifully designed, small, upmarket, gourmet fresh food, and of course outstanding guides. Offering walking, sundowners, bush breakfasts – all the added extras that Stefano and Liz consider essential to a complete safari experience. The project won the “BA Tourism for Tomorrow Award” a year after opening, [www.chelipeacock.com](http://www.chelipeacock.com) (02<sup>nd</sup> June 2012).

In 1999 Stefano designed and built Elsa's Kopje lodge in Meru National Park – still considered a flagship in luxurious African safari accommodation. Following on came Joys Camp in Shaba National Reserve (2005) a stylish camp in the exquisite arid country bordering Samburu; and Elephant Pepper Camp in the Masai Mara. [www.chelipeacock.com](http://www.chelipeacock.com) (02<sup>nd</sup> June 2012). Elephant Pepper retains the Cheli & Peacock roots of private tented safari. Only 8 tents, it still operates in the old fashioned safari style of yester year. Today, Cheli & Peacock has grown to become the leading ground handler in Kenya; continuing to operate upmarket bespoke safaris for clients that want the “real safari” experience. [www.chelipeacock.com](http://www.chelipeacock.com) (02<sup>nd</sup> June 2012).

Today, and throughout more than 27 years of operation, Liz & Stefano's priorities have always been to:

Operate the best safari for the client – taking into account their interests, ages, celebrations; so that they get the very best out of their safari experience.

Responsibility and professionalism - so that attention to detail, compulsory Amref Flying Doctors membership, vetted destinations and subcontractors, and responsible eco-tourism are an essential part of the safari planning. An officer from Cheli & Peacock is always on call, and Liz & Stefano are always available. Emphasis on wildlife experience, complete safari experience and guiding - as well as enjoying the most dramatic and romantic bedrooms in the world! Over 27 years of rapturous client feedback and support from all corners of the globe is testament that bespoke safaris offering the best of the best – is what “holidays of a lifetime” is really about, [www.chelipeacock.com](http://www.chelipeacock.com) (02<sup>nd</sup> June 2012).

## **1.2 Research Problem**

The environment in which Cheli and Peacock limited operate has witnessed tremendous changes such as post election violence and global economic crisis which have created opportunities and also posed major threats and challenges to Cheli and Peacock. The Kenyan economic environment is erratic and only those companies that continuously change to adapt to the environment are able to withstand the strong economic tides. The tourism business by its nature of being a service and the low public awareness about its benefits has been mostly affected. Companies in tourism business continuously review their strategies to respond to erratic nature of the environment in order to gain a competitive advantage against other players in the industry.

Cheli and Peacock operate in Kenya's tourism industry as a destination management company targeting tourist who would like to have personalized safaris. The company does not engage in mass tourism. There have been changes in Cheli and Peacock environment occasioned by post election violence of 2007 and 2008. This was headline news around the world making Kenya unattractive tourist destination. Global economic crisis reduced the spending power of people from the main source market for tourism industry of America and Europe, that is, they had little available to spend on leisure which is the industry in which Cheli and Peacock belongs. The future of most business

owners and citizens in Europe and America was uncertain due to the economic crisis hence most of them would hesitate to spend what they had instead opting to save as they wait and see the direction their economy was taking.

Various studies have been done to evaluate how organizations respond to environmental factors. Mutugi (2006) carried out a study on strategic responses of Barclays Bank Kenya limited to changes in the retails banking in Kenya. In his findings, Mutugi observed that there ware many barriers to entry in banking industry and Barclays responded to the environmental changes that influenced its competitive situation using assets and liability strategy, market strategy human resource strategy, IT strategy and organizational strategy. Mulema (2004) studied the responses to the environment in the service industry with a case study of the Teachers Service on which she found that, the greatest challenges were due to introduction of free primary education in the year 2003. Teacher service commission responded strategically by endeavoring to create and maintain valued relationships with the teachers and operationally by managing capacity and carrying out an audit of teacher supply strength. Kandie (2001) studied the strategic responses by Telkom Kenya limited in a competitive environment. He found out that financial constrains and lack of managerial empowerment had considerably limited Telkom Kenya capacity to respond to environmental changes.

As noted above, the challenges faced by various firms and industry are different thus it is not possible for organizations to adopt similar prescription to all their challenges. There has been no study done in tourism industry and specifically on companies that target a

niche market of high spending tourists visiting Kenya whom Cheli and Peacock targets. This constitutes knowledge gap that this study seeks to address. In view of the above observations, we can ask this pertinent question: what are the strategic responses adopted by Cheli and Peacock to respond to the changes in its external environment?

### **1.3 Research Objective**

To establish the strategic responses Cheli & Peacock has employed to cope with the changing environment.

### **1.4 Value of the study**

This study will highly assist the various stakeholders of Cheli & Peacock in evaluating their performance, managerial skills, viability of the decision making process and help plan into the future. The beneficiaries of the study include the following among other; The firm and staff-The study will serve as a source of information for the company to evaluate itself as an entity and the strategies it has employed.

Academicians-The study will provide useful basis upon which further studies in the industry can be conducted. The study will also contribute to the existing body of knowledge in the area of strategic responses that the academicians could use as a basis for further research

To the other players in the industry, the study will evaluate how a firm's responsiveness to changes in the dynamic environment is important and how others handle it.

The study will assist the government and especially the Ministry of Tourism to understand how the players in the industry respond to the changing environment and will help make the industry more competitive and prepared.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will review all the literature relevant to an organizations external force and their responses. It will deal with the meaning of the external environment and the various forms of external forces and the responses adopted to combat these forces. This will guide in understanding the external environment and response in a view to assist in achieving the objectives of the study

#### **2.2 The concept of strategy**

There is no one universal definition of strategy. It is a concept that embraces all the keys aspects and activities of the organization .There are as many definitions as there are strategic scholars. According to Johnson and Scholes (2003), strategy is the direction and scope of an organization over the long term. This gives an organization a competitive advantage through its configuration of resources within a changing environment to fulfill

stakeholder expectations. According to Porter (1998), strategy is basically about competition and the means by which an organization tries to gain competitive advantage. He further states that competitive strategy is a broad formula for how a business is going to compete, what goals should be pursued and what policies will be needed to carry out these goals.

Mintzberg (1994) sees strategy as a plan, a ploy, a pattern, a position and a perspective. According to Hill and Jones (2001), strategy is an action a company takes to attain one or more of its goals. Precisely; it's an action that a company takes to attain superior performance. To Pearce and Robinson (2003) strategy reflects a company's awareness of how, when, and where it should compete against who and what purpose. Strategy can also be said to be the way an organization responds to changes in the environment. It is the game plan that a firm has in order to acquire a competitive edge in the market arena. An organization success is dependent on how well it is able to predict and respond to changes in the environment and the requirements of the stakeholders.

Those organizations that are unable to accommodate such changes may well lose a large share the market and the worst scenario may be forced out of business (Johnson and Scholes, 2003).The further noted that strategy has characteristics associated with it. It is concerned with the long term direction and way forward for an organization, helps gain competitive edge for the firm, helps define the scope of an organizations activities and it is a process of matching the resources and activities of an organization in the environment in which it operates. They called this as the strategic fit where business



opportunities in the environment are identified and matched with the organization resources and competencies to take advantage.

### **2.3 Environment Changes**

The speed and extent of changes in the 21<sup>st</sup> century have required business to be much more adaptable to the changing environment. The external environment influences an organizations strategic development by creating opportunities and threats. As the environment changes, firms must change strategies to service. With each new strategy, new capabilities are developed. Pearce and Robinson (2003) observed that changes in the external environment have an impact on the organizations .They described the external environment as all conditions that affect a firms strategic options and or tactical options which a firm has little control. It is further categorized as the remote industry and operating environment. Forces in place are dynamic and include economic, political, technological, competitive and social factors (Kotler and Armstrong, 1990). Thomson (1998) observes that one of the most valuable resources a company has is the ability to perform a competitively relevant activity well. He defines a core competence as something a company does well relative to other internal activities. It gives a company competitive capability and this qualifies as a genuine company strength and resource.

A business does not function in a vacuum. It has to act and react to what happens outside the office walls. These factors that happen outside the business are known as external factors or influences. These will affect the main internal functions of the business and possibly the objectives of the business and its strategies. Markets are changing all the time and it depends on the type of product the business produces, and if the company fails to react it loses customers. The main factor that affects most business is the degree of competition or how fiercely other businesses compete with the products that another business makes. In the tourism industry competition has been very high owing to small number of visitors and effect of globalization. Competitors actions affect the ability of the business to make profits, because competitors will continually seek to gain an advantage over each other, by differentiating their product and service, and by seeking to provide better value for money. There are several different uncontrollable and controllable aspects of an external business environment that affect the success of a business.

The first uncontrollable factor would be competition. Since everyone has the right to create a business of their own, there is no way to control competition. There will always be someone who believes they can do the same thing you are doing but better. Social Cultural factors are all about how consumers, households and communities behave and their beliefs. Burnes (1998) defines organization culture as the pattern of beliefs, values and learned ways of coping with experiences that have developed during the course of an organizations history and which tend to manifest in its material arrangements and in behavior of its members. The tourism business in Kenya is associated with foreigners

especially whites. Due to this, the local tourism is at low level and cannot sustain the industry, once external factors forces foreigners to divert their holidays to other destinations away from Kenya.

Government regulations and other legal requirements involve the way in which legislation in society affects the business. In Kenya, the Ministry of Tourism is responsible for the formulation, co-ordination and administration of policy in respect to the tourism sector. This mandate is derived from Presidential Circular No. 1/2007 dated January 2007 and various Acts of Parliament as quoted in the website, [www.tourism.go.ke](http://www.tourism.go.ke) on 29<sup>th</sup> August 2012 and contained in The Tourist Industry Licensing Act (TILA), Cap 381, Laws of Kenya; The Hotels and Restaurants Act (HRA), Cap 494, Laws of Kenya. Economic factors involves how the economy affects a business in terms of taxation, government spending, general demand, interest rates, exchange rates and the general global market. The economic system is the organization of the economy to allocate scarce resources. The economy tends to go through periods of faster and slower growth. Businesses prosper when the economy is booming and living standards are rising. The Kenyan economy has been affected by the global economic meltdown and companies are forced to come up with products that are affordable due to the reduction in disposable income by customers. The government has also given support to the tourism industry by supporting their marketing activities through the ministry of tourism, Kenya tourism board and other forums.

Politics and other issues of governance involves how changes in government policy might affect the business .Kenya was a victim of electoral violence and the economy was greatly affected. Tourism industry has been no exception in bearing the heat of these post election violence. Changes in information systems have had an adverse effect if a company is not able to keep up with the new technology. Rayport and sviokla (1995) defines competition in two dimensions, the physical world of resources and a virtual world of information. Information technology supports and enhances every activity in the organization and it can be a source of added value and hence competitive advantage provided the organization is able to draw that value.

## **2.4 Response Strategies**

Ansoff and McDonell (1990) noted that strategic responses involve changes to the organization behavior. Such responses may take many forms depending on the organizations capability and the environment in which it operates. Thompson (1997) defines strategic adaptations as changes that take place over time to the strategies and objectives of an organisation.Such changes can be gradual or evolutionary or more and revolutionary. Organizations have to constantly redesign their strategies to remain competitive due to the dynamism of the environment as observed by Mwangi (2006)

A strategic problem according to Ansoff and McDonnell (1990) is faced by the organization that fail to effectively adapt to its environment. Such a problem will be evidenced by a mismatch between what the organization offers and what the market demands. Ansoff and McDonell (1990) noted that strategic responses involve changes in

a firm's strategic behaviors to assure success in transforming future environment. The choice of the response depends on the speed with which a particular threat or opportunity develops in the environment in which it operates. Properly developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. Some of these strategic responses include such processes like restructuring, strategic marketing, diversification, information technology, culture change, integration, acting defensively, pricing, keeping focus on powerful customers, improvement in quality of products and services and Porter's generic strategies of cost leadership, differentiation and focus.

### **2.4.1 Porter's Generic Strategies**

Porter (1980) suggests three generic strategies which are seen to be potentially successful approaches to outperforming other firms in the industry. These approaches are overall cost leadership, differentiation and focus. Pearce and Robinson (1997) noted that firms could sometimes pursue more than one approach as its primary target. They argued that a long-term or grand strategy must be based on a core idea about how a firm can best compete in the market place.

Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like research and development of sales force, and advertising. To achieve this a great deal of managerial attention to cost control is necessary, Porter (1980). A low cost position protects the firm

against all competitive forces. Such a position provides defense for firms against rivalry from competitors. It usually places the firm in a favorable position vis a vis substitutes relative to its competitors in the industry. The focus strategy involves narrow market segments products category or certain buyers. This helps firms narrow their operations to specific markets and thus achieve competitive advantage. According to porter (1980) this strategy rests on the premise that the firm is thus capable to serve its narrow strategic target more efficiently and effectively than competitors who are competing more broadly. The focus strategy therefore helps firms to direct their strategic plans to align themselves to the environment (Chepkwony, 2001).

Differentiation involves differentiating of products or services offered by the firm and creating something that is perceived in the industry as unique. It can be achieved through design or brand name, technology, customer service, dealer networks and other dimensions. Pearce and Robinson (1997) observed that strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. They noted that differentiation provides insulation against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to prices. It also causes an increase in margins which avoids the need for a low cost position. Restructuring is another strategic response to the turbulent external environment. Structures as defined by Watson and Rosenfield (1996) is the established pattern of relationship between component parts of an organization outlining communication, control and authority patterns. In essence structure distinguishes the parts of the organization and delineates the relationship between them. One of the major

activities of restructuring is the business process re-engineering. According to hammer (1996) companies can dramatically improve their efficiency and quality by focusing on customers and qualities that create values for them. Outsourcing for instance would enable an organization concentrate on its core business activity while benefiting from the cost efficiencies of those companies that specialize on the outsourced activity.

### **2.4.2 Information Technology**

Technological advancement is another strategy that can be adopted to ensure the firm deals with the turbulent environment. This is how the rapid pace of change in information systems and product innovation affect a business. Technological advancements help to shape companies way of producing products. Technology changes occurs every day, every hour, and every second. It is always a way to improve a product and extensive research proves that.

Tourism is a technologically intensive industry and companies have to invest heavily in technology in order to be able to serve customers and beat competition. Porter and Miller (1985) argue that information technology can create new business opportunities from

within existing activities. McFarlan et al (1983) asserts that information technology offers a scope for product differentiation that enables the company to effectively service the needs of its market niche.

### **2.4.3 Strategic Marketing**

This is both a social and managerial process. It is a process by which individuals obtain what they need and want through creating and exchanging products of value with others. Basically it's all about satisfying customer needs and wants (Kotler and Armstrong 1999). Marketing helps to define an organization's mission as well as analyzing the environment, competition and business situations. It therefore plays a major role in the organization's strategic planning process. The strategic marketing responses are based on the marketing mix elements of product, price, place and promotion.

Marketing is strategically concerned with the direction and scope of the long term activities performed by the organization to obtain a competitive advantage. The organization applies its resources within a changing environment to satisfy customer needs while meeting stakeholder's expectations. Strategic marketing is the requirement to develop a strategy to cope with competitors, identify market opportunities, develop and commercialize new products and services, allocate resources among marketing activities and design an appropriate organizational structure to ensure the performance desired is achieved.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The major objective of this study is to find out the strategic responses Cheli and Peacock limited has taken to counter changes in the turbulent environment. This chapter strives to explain the procedures that will be used to achieve the objective of the study and answering the research problem. Areas covered are research design, data collection and data analysis.

#### **3.2 Research Design**

The research design will be a case study of Cheli and Peacock Limited. This design has been chosen because the objective of the study requires an in depth and intensive scrutiny of the responses of one firm, namely Cheli and Peacock Limited.

### **3.3 Data Collection**

The researcher will collect primary data by personally interviewing the four managers and taking down their responses for further analysis. Attached appendix 1 is the interview guide. The company has seven managers and four managers have been chosen to give relevant information on strategic responses adopted by Cheli and Peacock in relations to response to changes in its external environment. This is because the four managers were in the task force that was involved in crafting and implementing the strategy, hence they have relevant information. The managers targeted are the International Sales manager in charge of the department that contacts all international clients and agents; Reservation manager who gets the contract from camps, hotels and lodges; the marketing manager who handles all the company marketing activities and the Finance Manager who in charge of all the company revenue and expenditures.

### **3.4 Data analysis**

Data will be analyzed using content analysis technique because most of the responses are expected to be descriptive in nature, this being a case study. Prior to this, data will then be audited and checked for accuracy. The main themes are restructuring, information technology, finance, human resource, marketing, culture

## **CHAPTER FOUR**

### **DATA ANALYSIS AND FINDINGS**

#### **4.1 Introduction**

The chapter presents the analysis of the data collected and its implementation. The study focused on one major objective to establish the response strategies Cheli and Peacock has employed to cope with the turbulent external environment. Personal interviews were conducted on the four managers who were members of the task force that was created to guide the company on how to navigate the turbulent times. An interview guide with open ended questions was designed for the purposes of the interview.

Data was mainly analyzed by content analysis which sought an objective, systematic and qualitative description of a manifest content of communication between the researcher and the representative of the company and the results are provided.

#### **4.2 Response rate**

The study targeted four managers who are the Finance Manager, Marketing Manager, International Sales Manager and Reservations Manager. The selection was done mainly to eliminate duplicity of data obtained had other interviews been conducted and also to focus on the members of the task force as they have the primary information on issues discussed and agreed upon. The response rate was 100% since all the interviewees responded satisfactorily to the interview and data obtained was analyzed as explained below in table 1.

**Manager’s duration of stay. Table 1**

<b>Duration of Stay</b>	<b>Frequency (Manager’s)</b>	<b>Percentage %</b>
Less than 5 years	0	0
Between 5 – 10 years	2	50%
Over 10 years	2	50%
<b>Total</b>	<b>4</b>	<b>100%</b>

### **4.3 Changes and Challenges in the environment**

The interviewees were asked what changes have taken place in the business environment of Cheli and Peacock in the last five years and from their responses, all of them were unanimous on several changes. One of the turbulent moments was during the post election violence that occurred after disputed Presidential election results. The brought negative publicity and Kenya was no-longer as destination of choice to tourist. The images of violence beamed all over the world replace the beaches and wildlife tourist had come to associate Kenya with. The Post election violence led to increased cost of living which led to increase in operating cost for the company. Global economic crisis also featured top on the list. The economic crisis affected mostly the United States of America and Western Europe which were the traditional source of tourist to Kenya and by extension the leading market for Cheli and Peacock. This resulted in a decrease in the number of tourist visiting Kenya

The study revealed that terrorism and Al-Shaabab activities along the Kenya coast line were have great negative impact on the Company. The clients who were attacked at Kiwayu Safari lodge where the husband was killed and the wife taken captive were on safaris booked by Cheli and Peacock whereas the hotel was managed by Cheli and Peacock sister company. Proximity to Somalia caused anxiety among clients who wanted to experience the beach hence booked other destination instead. This meant they were also unlikely to visit the country as they would choose a destination that would offer both with surely of safety and peace. Technological advancement posed another major challenge to Cheli and Peacock. The rapid changes in technological development and rise

of social media marketing meant the company had to invest in this field to keep up with these developments. Theft of clients data from visa cards in one of the local lodge affected Cheli and Peacock clients hence bringing negative publicity to the company and industry at large.

#### **4.4 Response strategies to counter turbulence**

From the finding of the study, various strategies were identified that the company has adapted to counter the effects the turbulent environment. The company reduced the payroll cost with twenty percent by requesting employee to work twenty percent less time and earn less with the same proportion. This was meant to help the company reduce its cost temporarily without sending any employee home during the first six months of year 2008 when the loss of revenue was greatest due to post election violence. Culture change was also encourage were staff were told on how to reduce operating cost by recycling printing paper by use all the sides. The company also started to participate in various global tourism awards especially in the Japan and Asia hence creating awareness and of it's product to new markets. This also enabled the company to penetrate new markets to leverage the traditional sources of tourist.

The company also came up with innovative products and discounts as a strategy for changing times. Clients who had booked to come to Kenya during the period of post election violence were allowed to postpone their safari by up to one year. This meant royalty were earned and future business secured. The company also negotiated special

discounts with various hotels and the same was passed to clients who booked these hotels and a certain combination through Cheli and Peacock. This made it easier for the company to attract more visitors to Kenya during the economic crisis as they were offered special discounts. Another response that was implemented was taking advantage of exchange rate fluctuation by selling dollars when the value was high and buy it back when the value went down. The company also carried out restructuring creating new positions for country representative who had good knowledge of the country and can best represent Cheli and Peacock interest to the local hence enabling more people to choose Cheli and Peacock as their destination management company in Kenya. Another position created was for a local marketing representative in Kenya help the company increase the number of local tourist using the company to make various reservations.

Information Technology could not be ignored if the company was to position as leader in the industry. The company invested in new software for called tour plan that links all the company activities from sales to reservations and accounts without duplication. This meant less time was used to post data and more accurate reports were generated hence faster decision making processes. This increased efficiency thereby helping the company to be more competitive. The speed increased hence fewer staff were required to handle more work, this led to declaration of redundancy of some employees as some position were merged and the company reduced its cost. Training of staff on various issues from time management to personal finance and life skills were organize to make staff better in all areas and hence increase their productivity.

## **4.5 Strategic Fit**

According to the respondents, though some responses like country representative and participation in various global awards and allowing the clients to postpone their safaris by one year seemed to work, others like reduction of staff salaries by 20% had a negative impact on the productivity and morale of these staff and the cost of living was high and most of them had no meaningful engagement in the hours they had to stay away from work. The respondent emphasized that the company should take a more proactive initiatives and less reactive responses to facilitate management of its environment. The respondent emphasized that it is important at corporate level to assess the attractiveness of various products offered by Cheli and Peacock. The company should also assess the effectiveness of the various strategies adopted. This makes it possible to identify the best products and poorly performing ones as well as best strategies to employ.

# **CHAPTER FIVE**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary of Findings**

#### **5.1.1 Introduction**

This chapter presents the summary, conclusions and the recommendations from the findings. The study was based on the objective of the study which was to establish the response strategies Cheli and Peacock limited has employed to cope with the turbulent external environment.



### **5.1.2 Corporate strategies**

The interviews were done with the managers who formed a task force to help the company develop response strategies to turbulent external environment the company was facing with the aid of an interview guide. The major threats from the external environment include post election violence, global economic crisis, terrorism and technological advancement.

The company has however responded by modernizing its technological facilities by buying new software, intense marketing through participation in global awards and having marketing representatives in various countries in addition to use of social media like facebook and twitter. The company also did restructuring and staff empowerment through training and introduction of innovative products. However the respondents felt that there is still more to be done by the company in order for it to match the environment in which it operates. The study further established that Cheli and Peacock limited has the necessary capability to adapt the strategies that would facilitate effective response to the turbulent external environment. This can inform of allocation of resources in the areas of product research and development, strategies formulation and implementation and staff recruitment and compensation in addition to strategic marketing.

## **5.2 Recommendations**

The environment in which organizations operate is turbulent and force organization to have strategic responses which are well developed and if properly adopted are powerful tools for acquiring and sustaining a competitive advantage. Such weapons have to be constantly adapted or even transformed to achieve the desired advantage. In view of this and from the findings of the study, Cheli and Peacock should become more proactive rather than reactive in managing its turbulent external environment. This can be achieved by formulating and implementing strategic initiatives that would preempt any anticipated adverse changes in its dynamic environment. From the study it emerged that Cheli and Peacock has very superior products which are correctly priced but not doing very well in the market currently. There is therefore need for the company to aggressively market its products through the internet, print and electronic media in various target markets in order to attract more business. The findings of the study also show that there are major threats posed by competitors in the industry who are not necessarily in Kenya but global. The study recommends that the managers be on the lookout for any possible factor that has an implication on the operations and restructure appropriately. So far the response strategies have been successful but more needs to be done so as to maintain the status of the company in the industry. Generally the changes that

were found to have great impact on the operations of the company include technological advancement, post election violence, global economic crisis and terrorism.

### **5.3 Conclusions**

The researcher concluded that the company needed to offer a wide range of products and services, engage more skilled staff, automate all its business processes and do more promotion and advertising. There is also greater need for products research and development to have competitive and attractive products and staff recruitment and proper compensation to avoid poaching by competitors.

### **5.4 Areas for Further Research**

This study concentrated on the responses strategies adopted by the company which may not apply to the whole industry. More research can be done to establish the response strategies the tourism industry as a whole is adopting to remain profitable and competitive especially with the global economic downturn. Further studies can also be carried to establish whether new and innovative marketing strategies the company is introducing are sustainable in the near future with the increasing competition and technological advancement.

Impact of each response strategy and how effective it is.

### **5.5 Policy implementation and practice**

The findings of this research project are of much importance if the recommendations are implemented. The strategies already in place seems to be working for the company but due to changing nature of the business environment there is need to have contingency measures in place to take care of the unexpected. For instance the recommendation on strategic marketing is very crucial if the company will remain top of the list for tourist who would like to visit Kenya. Also heavy investment in information technology makes the company competitive and innovative which keeps it at the same level with competitors in other parts of the world who would like to lure tourist to their destination. In general if these recommendations are seamlessly implemented and practiced, the company would find it easy to withstand any adverse effects of the turbulent external environment.

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## **APPENDIX**

### INTERVIEW GUIDE

#### TOP LEVEL MANAGEMENT

#### **SECTION A: RESPONDENT PROFILE**

What is your position in the company management?

.....  
.....

How long have you worked at Cheli and Peacock?

.....  
.....

#### **SECTION B: CHALLENGES FACING CHELI AND PEACOCK**

What changes have taken place in business environment of Cheli and Peacock in the last 5 years?

.....  
.....  
What challenges have these changes posed to Cheli and Peacock?

.....  
.....  
Please explain the effect of the following external changes to Cheli and Peacock?

Post election Violence.....

Europe and USA economic crisis.....

Al Shabaab attacks.....

**SECTION C: RESPOSE STRATEGIES**

Has Cheli and Peacock responded to the above environmental changes?

Yes ..... No.....

How has Cheli and Peacock responded to above environmental changes?

.....  
.....  
What strategies has Cheli and Peacock limited adopted to respond to the turbulent external environment?

**MARKETING**

Has Cheli and Peacock Limited recently been adopting aggressive marketing strategies in response to the changes in the external environment?

.....  
.....  
What were the objectives of marketing changes?



.....  
.....  
How were these changes effected?  
.....  
.....

Please indicate the challenges faced by Cheli and Peacock while making these changes?  
.....  
.....

To what extent have objectives of these marketing changes been met?  
.....  
.....

**RESTRUCTURING**

Has Cheli and Peacock Limited recently been restructuring in response to the changes in the external environment?  
.....  
.....

What were the objectives of restructuring process?  
.....  
.....

How was the process of restructuring undertaken?  
.....  
.....

Please indicate the challenges faced by Cheli and Peacock during restructuring?  
.....  
.....

To what extent have objectives of the objectives of restructuring at Cheli and Peacock been met?

.....  
.....

**INFORMATION TECHNOLOGY**

Has Cheli and Peacock recently made changes in its IT systems?

.....  
.....

What were the objectives of the changes IT?

.....  
.....

How were these changes effected?

.....  
.....

Please indicate the challenges faced by Cheli and Peacock while making these changes?

.....  
.....

To what extent have objectives of these IT changes been met?

.....  
.....

**HUMAN RESOURCE**

Has Cheli and Peacock Limited been changes in human resource at Cheli and Peacock in the last five years?

.....  
.....

What were the objectives of the changes human resource?

.....  
.....

How were these changes effected?

.....  
.....

Please indicate the challenges faced by Cheli and Peacock while making these changes?

.....  
.....

To what extent have objectives of these human resource changes been met?

.....  
.....

**OTHER RESPONSES**

Please indicate any other response that Cheli and Peacock Limited has made as a result of increased changing environment?

.....  
.....

**STRATEGIC FIT**

Do you consider Cheli and Peacock strategic responses to changes in the external environment adequate? Explain.

.....  
.....

