

**STRATEGIC RESPONSES TO DYNAMIC COMPETITIVE
ENVIRONMENT BY THE EAST AFRICAN PORTLAND
CEMENT COMPANY LIMITED, KENYA**

BY

KIPYEGON MARITIM

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DECLARATION

I declare that this project is my original work and has not been submitted for a degree in any other university.

Signature Date.....

Kipyegon Maritim

D61/9107/2005

SUPERVISOR

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

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

Prof. ZACHARY B. AWINO, PhD

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

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DEDICATION

To my late mum

ABBREVIATIONS AND ACRONYMS

EAPCC:	East African Portland Cement Company Ltd
MBV:	Market Based View
RBV:	Resourced Based View
DCV:	Dynamic Capability View
EAC:	East African Community
COMESA:	Common Market for East and Southern Africa

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ABSTRACT

Organizations operate in rapidly changing environments and businesses are forced to constantly align themselves to this changing environment in order to survive. Organizations that fail to continuously scan its competitive environment and design appropriate strategies may find it difficult to sustain its competitiveness. This study was on the strategic responses to the dynamic competitive environment by the East African Portland Cement company Ltd. EAPCC, like all other organizations, operates in similarly rapidly changing competitive environment. The cement industry has been changing with consolidation in the developed market and increasing competition in the developing markets with new players coming for the case of Kenya. EAPCC has witnessed a serious erosion of its market share from a high of 37% a decade and a half ago to today's 14%. The company has been forced to craft and adopt responses to this changing competitive environment. The specific objective of the study was to establish the strategic responses deployed by the EAPCC in the dynamic competitive environment. The case study method was adopted since it provides very detailed information about a particular subject that it would not be possible to acquire through another method. The study used primary data which was collected from the heads of departments of EAPCC through face to face interview. The data collected was then analyzed through content analysis method due to its suitability to analyze data collected from Open-ended questions which are more difficult to code. The study established that the main changes in the competitive environment have been influx of new players in the market, a rapidly expanding economy, and forex rate fluctuations. The study also established that EAPCC adopted operational efficiency strategy, outsourcing and diversification strategies in response to these changes in the competitive environment. The study recommends that EAPCC focuses on innovation through R&D and also adopt expansion strategies. The policy makers will use the study to formulate policies relevant to manufacturing firms, especially on regional economic groupings. The study also serves as a source of reference for future scholars and practitioners besides providing areas of further research on strategic responses to dynamic competitive environments

CHAPTER ONE

INTRODUCTION

1.1 Background

Modern organizations exist in environments that are turbulent and hostile, which pose constant threats to their growth and survival (Smart & Vertinsky, 1984). In the long term only effective organizations will survive and prosper. The attainment of a competitive position or series of competitive positions that lead to superior and sustainable performance is a manifestation of the success of any organization (Jauch, 1988). Changing business environment, however, presents a challenge to the way organizations conduct business and they are forced to constantly create strategies that seek to outperform rivals. This adaptations made in response to the environment are referred to as strategic responses.

According to Ndungu et al (2014), the external environments influence an organization's strategic development by creating both opportunities and threats. Failure by organizations to constantly adapt their internal configurations and activities to reflect the new external realities may put their future, in this changing environment, in jeopardy (Aosa, 1998). According to Thompson and Strickland (2003), organizations need to scan the environment to spot new industry trends and conditions which may affect the industry and adapt to them as its survival is depended on the environment. According to Mutuku (2014), Strategic responses enable the organization to survive in a turbulent environment with certainty and effective strategy may enable a business to influence the environment in its favor and even defend itself against competition (Ansoff, 2003).

In seeking to find out the strategies deployed by the EAPCC in response to the dynamism in the competitive environment, the study will mainly be anchored on three theories: market based view theory (MBV), Resourced based view theory (RBV) and capability based view (CBV). Market based view theory of competitive advantage suggests that factors in the industry and external market environment primarily determines performance of an organization. In this perspective, the competitive dynamics of the environment in which a firm operates and the industry structure solely determines a firm's performance or profitability (Schendel, 1994).

The RBV views a firm as a bundle of resources as it emphasizes that a firms' source of competitive advantage are its resources and internal capabilities (Henry, 2008). Strengths derived from information or organizational processes controlled by a firm and its assets can be described as a firm's resources and it enables a firm to plan and implement organizational efficiency improvement strategies (Barney, 1991). The capability based theory, according to Grant (1991), suggests that possession of capabilities that are distinctive enable achievement of competitive advantage by firms and to inhibit imitability, re-investing and expansion of these capabilities by firms must continually be done (Mahoney, 1995).

The East African Portland Cement co. ltd (EAPCC) is operating in a rapidly changing environment and the organization is forced to craft and implement strategies that respond appropriately to this changing environment in order to meet its business goals or objectives. This study seeks to find out the strategies the company employed in response to the dynamism in the environment and the threats or potential threats faced by the company from the environment.

The cement industry is fairly consolidated in developed markets, while the reverse is true in emerging markets. Cement manufacturing is highly capital intensive and cement products are not differentiated. The fact that consumers bare no cost in switching from one supply to another and the lack of differentiation of cement as a product, creates a haven for intense rivalry and competition (Salem & Selim, 2010). With the entry of mainly Chinese and Indian manufactured machinery in the last decade and a half in the market, the capital cost of setting up a plant significantly came down, resulting in stiff competition from new and existing players.

The Kenyan market players expanded from three to seven players in just seven years. This competitive environment is made worse by imports from regional trading blocs, Middle East and Far East countries. Like all other companies operating on an environment with such dynamism, EAPCC needed to respond strategically in order to survive.

1.1.1 Concept of Strategy

Strategy is a plan that is integrated and unified that is relating the strategic advantages of the organization to the environmental challenges and ensures, by design, that the basic objectives of the enterprise are achieved through proper execution by the organization (Jauch & Glueck, 1988). Johnson et al (2008) defined Strategy as the long term organizational direction and scope, achieving competitive advantage in an environment that is changing with the aim of fulfilling stakeholder expectations by the configuration of its resources and competences.

According to Porter (2006), strategy is creating vulnerable and unique positions of tradeoffs in competing, involving a set of activities that ensure effort is optimized, are simply consistent, neatly fit together and that they reinforce each other. Pearce and Robinson (2003) defined strategy as the organizational scope and direction that endeavors to meet stakeholder expectations by ideally matching the results of its changing environment and particularly its markets and customers.

1.1.2 Strategic Responses

A specific and detectable countermove that a firm takes to improve or defend its profit or market share in its industry, prompted by an initial action in the environment, is called a strategic response (Chen et al,1992, as cited in Chen & Hambrick,1995). Strategic response leads to designing of plans that are then formalized and implemented to achieve a firm's objectives as a result of a set of decisions and actions taken by a firm (Pearce and Robinson, 2010). Strategic responses require organizations to redesign their internal capability to a strategy that is changed in order to match the changes in the environment (Grant, 2011). Strategic responses are as a result of both the occurrences in the environment and the firm capabilities (Muriuki, 2015)

Firms can respond to changes in the environment as Reactors, Analyzers, Prospectors or Defenders (Miles and Snow, 1978 as cited in Qi, 2004). According to Miles and Snow (1978), as cited in Qi (2004), defenders have a non adaptive, rigid, and risk-averse strategic orientation. By choosing a stable market and product that is defined narrowly, they reduce adaptive and innovative costs and risks. Defenders are efficient and internally-oriented.

Compared to prospectors, Defender firms tend to exhibit more discretion about cost efficiency (Luo, et al 2001) and according to Hambrick (1983) they engage in little or no new product/market development. Compared to other strategic types, they succeed more by focusing on established products in already established markets, and thus achieve competitive advantage (Vladimir, 2014).

Hambrick (1983) defined Prospectors as firms that attempt to pioneer in product/market development. They stimulate and meet new market opportunities by frequently changing their product lines and hence gain competitive advantage. According to Miles and Snow (1978) as cited in Qi (2004), prospector firms through product and market development and innovation, aggressively seek growth opportunities. By being innovative, entering markets with new products and embracing new technologies quickly, Prospector firms achieve competitive advantage (Vladimir, 2014).

In between defenders and prospectors are Analyzers. Analyzers' approach to strategy is best described as balanced as they take advantage of opportunities emerging in the market while seeking risk-adjusted efficiency (Miles and Snow, 1978 as cited in Qi, 2004). Analyzer firms' strategies' level of risk falls in between those of defenders and prospectors and in addition analyzer firms tend to have more discretion than prospectors, but less than Defenders (Qi, 2004).

Reactors lack a consistent strategy-structure-culture relationship. Piecemeal strategic changes, though not externally constraint, defines their adaptation to the environmental conditions. Reactors firms respond in an ad hoc manner to environmental threats and opportunities. According to Vladimir (2014), lack of a concise and clear connection between strategy and structure impedes Reactor type of organizations from achieving competitive advantage.

1.1.3 Dynamic Competitive Environment

The social institutions, forces, and physical environment in totality, taken directly into consideration by members of an organization when making business plans and decisions, and are relevant to the setting of goals and their attainment of the same by the organization can be defined as the organizations' environment (Obasan, 2001 as cited in Adeoye & Elegunde, 2012). Duncan (1972) views business environments as the interaction between organizations external and internal factors consisting of pertinent social and physical factors within and outside the boundaries of an organization that exhibits direct influence on decision making.

It therefore means, according to Bayode & Adebisi (2012), that any business is bound to run into some crises if it is not aware of its environment which such business operates in due to the increasing complexity of the environment. Environmental uncertainties viewed as the rate or speed of change in an industry and predictability or uncertainty in the organization's business environment is referred to as environmental dynamism (luqman et al, 2014).

Changes in the environment, stemming from sources such as technological change, demand shifts, and competitive moves, characterizes environmental dynamism (Chi et al, 2009). Varied opportunities and threats outside of the organization and not usually within top management control in the short run constitute the external environment (Bayode & Adebisi, 2012). Organizing and using an organization's available resources in ways that minimizes the impact of environmental pressure and threats is one of the key functions of effective management (Steers, 1977 as cited in Smart & Vertinsky, 1984).

1.1.4 Strategic Responses to the Dynamic Competitive Environment

Business firms face environments that are rapidly changing, whereby technology life cycle is shortening continually, increasing acceleration of product research and development, and frequent appearance of competing technologies (Jiao et al 2010). According to Duncan (1972), environmental dynamism refers to, especially as it relates to predictability, the extent and patterns of change in the environment.

Ward et al. (1995), cited in Chi et al (2009) suggested that all organizational strategic and operations research designs should have as key building blocks factors of the environment. Thompson and Strickland (2003) argued that performance that is superior and sustainable cannot be attained by good formulated strategies alone but by ensuring that strategies are matched to the internal and external environments of the organization.

According to Ansoff (1984) organizations suffers business failure proportional to the mismatch between the level of turbulence in the environment and their strategic management approach. Firms, therefore, need to be proactive and to formulate successful strategies that facilitate proactive response to actual and anticipated changes in the competitive environment in order to strategically prepare themselves for the future while meeting current demand. As Porter (2005) observed, firms need to examine their environments, both external and internal and accordingly respond in order to be able to retain competitive advantage. Scanning the environment continually and necessary strategic response go hand in hand.

1.1.5 Global Cement Industry Trends

In recent years trans-national consolidations and co-operations has significantly changed the cement industry, with the most recent being the merging of Lafarge & Holcim to create LafargeHolcim plc, the world largest producer, in 2015 and HeidelbergCement's (of Germany) recently-announced planned acquisition of Italcementi (Italy), currently world's fourth and sixth largest producers respectively . This consolidation has resulted in the largest four companies producing slightly over 20% of global cement production (Global cement, December 2015). The Total world production is slightly over 4 billion tones with China producing over 50 % of this, with India following at 7% (U.S Geological survey, 2016) and sub-Saharan Africa at less than 3% of world production. Cement consumption growth goes hand in hand with economic growth and subsequently the industry has been growing at compound annual growth rates of above 3% especially in the emerging markets and the developing world

1.1.6 The Cement Industry in Kenya

Currently there are seven firms manufacturing cement in Kenya; Bamburi Portland Cement, Athi River mining, Mombasa Cement, National Cement, East African Portland Cement, Savannah cement and Ndovu cement. The Kenyan cement market is marked by depression on prices brought about by rising competition and over-supply of cement in the market.

Cement consumption in the market has been rising at a compound annual growth rate of above ten percent in the last decade, reaching a high of 5.88 million tons in 2015. This is supported by an economic growth that has averaged above 5% over the period and this coupled with the Kenyan government's accelerated effort to increase infrastructure spending providing a positive outlook for cement demand in Kenya and the region in general. Increased investments and beefing up of production facilities by both new and existing players as a consequence of the attractiveness of the market has resulted in excess capacity in the market.

However, with the production capacity of the market running ahead of current levels of consumption by up to 21% (installed capacity as at 2015 was 7.5 million tons against a consumption of 5.88 million tons), some of the producers are forced to operate capacity of less than 100% leading to efficiency reductions and lower economies of scale; further compounding the problem of reduced margins due to depressed prices. This situation compounded by cheap imports, escalating energy costs could result in firms going into negative territory in profitability threatening their survival in the near term unless they have a proper strategy in place.

1.1.7 East African Portland Cement Co. Ltd, Kenya

East African Portland cement co. ltd, is one of the major players in the cement sector in Kenya. The company was established in 1933 as a trading company importing cement to support the earlier construction industry in the then British East Africa. The company later build a grinding plant in industrial in Nairobi with production capacity of 60 tons per annum. This plant was supported with clinker (an intermediate product in cement production) imported from India.

The company later, in 1956, relocated to Athi- River where it build a 120,000.00 ton per year cement plant complete with clinker manufacturing. This expansion was motivated by the expansion in the market which saw the first competitor, Bamburi Cement, set up a 140,000.00 tons per annum plant in Mombasa. Over the years, the company has grown to reach an annual production capacity of 1.3 million tons, in line with the country's economic growth. Competition has also been growing to the present day seven players from just two players at independence.

The expansion in the competitive space and the present overcapacity in the sector have placed a lot of pressure on the company which has seen other players overtake it in terms of market share. Whereas the company has traditionally been second in the market (with the market leader being Bamburi), two other firms have in the recent past overtaken it to make the company come fourth (at 15%) with Mombasa Cement and Athi River Mining coming second and third respectively. The erosion of its market share and the subsequent dip in profitability prompted the company management to craft response strategies to help it shore up its competitiveness and therefore its performance.

1.2 Research Problem

Today's business environment is very dynamic and volatile. Organizations respond to the changing environmental conditions that surround them by creating and deploying response strategies that considers opportunities and threats emanating from the business environment, its capabilities and resources under its control. According to Boyd & Fulk (1996), competitiveness of organizations, as they cope with significant exigencies and restraints from their external environments, depends on their ability to monitor the environment and accordingly adjust their strategies. An organizations' sustained competitive advantage, significantly depends on how well it responds to the changes in the environment it operates.

The global cement industry has undergone major changes since the financial crises of 2008. Operational efficiencies have evidently increased and industry-wide consolidation have gone up for some years now (Global cement, 2016). There were more than two thousand two hundred integrated active cement plants in the world in 2015 (Global cement, 2016) with capacity, though growing in the Middle East and Africa, highly concentrated in Asia. The international traded cement is in the region of 5% to 7 %, meaning most of the production is to satisfy local consumption (Salem & Selim, 2010). Globally, the market structure tends to be oligopolistic in nature (with few players controlling the market) and the fact that there are low switching costs by consumers and no substitutes for the product all result in moderate rivalry between firms globally (Salem & Selim, 2010).

Kenya has witnessed significant economic growth over the years and the construction industry has been one of the major drivers of the growth. Cement is a key input in construction and consequently the cement manufacturing has grown in tandem with the economy. The sector is very competitive, with seven players in the market. Aside from competition in the local production players, the sector has also faced other uncertainties with the regional trading block (East African Community) lowering taxes on cements imports of cement and cement products to the block and other effects of competition from the COMESA trading block.

Several studies have been done on how firms' strategies relate to the environment. Qi (2004) in strategic response to a changing environment: a case study of Chinese township and village enterprises, found that those enterprises that responded with prospector strategies thrived. The study focused on Chinese village enterprises following the period of Chinese opening up of the economy following the reforms introduced to their initially closed and controlled economy.

Luo et al (2001) in strategic Response to a Volatile Environment: The Case of Cross-Cultural Cooperative Ventures; found that perceptions of environmental dynamism, complexity and hostility significantly influenced the kind of strategies adopted. More specifically, perceptions by managers of increased environmental, hostility, complexity, and dynamism are found to be positively related to the intensity of analyzer orientation of strategy.

Akhter & Barcellos in their research on Competitive Threats, Strategic Responses and Performance of Brazilian B2B Firms found that local firms responded to linearization and the attendant changes in the market by pursuing strategies that were depended on the markets they were operating within a given industry. They also found that many local firms responded to the new foreign entrants by differentiating more on products and forming strategic alliances, both downstream and upstream. These response strategies, per the study, positively impacted on their performance.

Local studies include Mutuku (2014) who studied the strategic responses to the dynamic business environment in Kenya by old mutual Kenya limited. The study found that in response to the environmental changes, Old Mutual responded with various strategies that included cost reduction, acquisitions, expansion and new product development.

Abishua (2010) in strategic responses used by equity bank to compete in the Kenyan banking industry found the bank employed product diversification and expansion among other strategies in responding to the environment. Muriuki (2015) researched on strategic responses to dynamic competitive environment by large internet service providers in Kenya, while Owiso (2015) who researched on strategic responses and dynamic business environment at copy cat ltd kenya, found expansion and strategic alliances among the dominant strategies adopted by the company in response to the changes in the environment.

While these studies are all relevant and compares with this study, none has studied strategic responses by a manufacturing firm and more specifically a cement firm in response to changes in the environment. Strategic response is a consequent of a changing business environment. These environments will invariably be depended on each firm's context in terms of customers, suppliers, competitors and the economy it is operating in. This study therefore seeks to fill the gap in available knowledge by answering the following research question: what are the strategic responses deployed by the east African Portland cement company ltd in response to the dynamic competitive environment?

1.3 Research Objective

The objective of the study was to establish the strategic responses deployed by the East African Portland Cement Company Ltd in the dynamic competitive environment.

1.4 Value of the Study

The results from the study is beneficial to the firm and firms in similar situations or industry by providing reference and acting as feedback as it seeks to position itself in the market, formulating and implementing appropriate strategies that ensure sustained competitive advantage and enhanced profitability.

The study is also of benefit to policy makers, more specifically government (and government agencies) in formulating policy that affects manufacturing and cement industry in particular. Such policies include trading policies across trading blocks that the country subscribes to and the applicable tariffs on products like cement.

The study also enriches the existing knowledge on strategic management theory and practice, more specifically on the same topic by providing theoretical perspective and focuses on manufacturing organizations in Kenya and hence is of value to strategic management practitioners, scholars and researchers.

The chapter focused on giving a background of the topic of research, strategic responses to the dynamic competitive environment by East African Portland Cement Company Ltd. The concept of strategy, strategic responses, dynamic competitive environment, global and regional trends of the cement industry was also covered. The chapter also covered the research problems, research objectives and the value of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will cover both theoretical and empirical literature in the area of strategic response to changing business environment. The theoretical part covers theories advanced by other researchers that support theoretical foundation of the competitive advantage actions taken by organizations in response to changes in the environment. The empirical literature will focus on the past findings or studies on organizational responses to dynamic business environment.

It discusses both the conceptual and theoretical framework of this study. It addresses the empirical evidence of previous studies on the area of strategic responses of organizations to dynamic business environment. Conveyance to the reader what knowledge and ideas have been established on the topic under study or research is the main purpose of literature review.

2.2 Theoretical Foundation

This section aims to provide an insight of the theories that underpins strategic responses by organization to changes in the environment. In response to the changes in the environment, firms in essence seek to gain a competitive advantage over rivals and this study will focus its discussion on the market based view, the resourced based view and the dynamic capability based view theories of competitive advantage.

2.2.1 Market Based View

Market based view (MBV) bases the design of the firm's strategy on the nature and trends of the industry's environment. The competitive situation of the firm characterizing its end product strategic position embeds its sources of value for the firm, where the strategic position of a firm is how it performs activities that are similar to other firms, but in ways that are very different (Wang 2014). In this perspective, the structure and competitive dynamics of the industry within which the firm operates, determines a firm's profitability or performance (Schendel, 1994).

The Market-Based View (MBV) includes theories of strategy belonging to the positioning school and those developed in the industrial organization economics period of development of strategic thinking (Porter's being one of them) (Hokinson et al 1999). In formulating strategy, firms usually make a complete assessment of their own competitive advantage through an assessment of their external environment based on the five forces model (Porter, 1985). Michael Porter's five Forces framework, currently used by scholars and management, is arguably one of the most pervasive frameworks that has been taught in business school to date (Knecht, 2014).

The five forces, according to porter, are threats from substitutes, barriers to entry, suppliers' power to bargain, buyer's bargaining power and degree of competitor rivalry. According to Wang (2014), under market based view; strategy is viewed in the context of the whole industry and the firm's market position relative to its competitors.

2.2.2 Resourced Based View

The primary determinants of a firm's performance and competitive advantage, per the resource-based view (RBV), are its resources. It suggests that a firm's value creation is driven by its resources via the development of competitive advantage (Ireland, Hitt, & Sirmon, 2003). The theory emphasizes the resources the firm has developed for competing in the environment, and draws attention to the organization's internal environment as a competitive advantage driver (Wang, 2014). This is because, according to Collis & Montgomery (1995), each firm has grown over time, acquired assets, skills, gained experience with time, has its own history, and cultivated its own organizational culture that is distinctive, no two firms are alike. These dissimilarities of firms in terms of resources is much more reliable and predictable in developing competitive advantage and as observed by Grant (1991), defining a firm's identity based on its resources and capabilities is much more reliable and sustainable especially when the external environment is continuously changing.

According to Barney (1991, 1995), for resources to be of possible source of competitive advantage that is sustainable, they need to be valuable, rare, non-substitutable and non-imitable and in addition to the four characteristics, the organization need to adequately support the exploitation of the resource through its reporting structures, management control systems, and compensation policies. Indeed, it is only when there is evaluation, manipulation and appropriate deployment of resources within the firm's environmental context do value is created (Lippman & Rumelt, 2003).

2.2.3 Dynamic Capability View

The ability of a firm to build, integrate, and reconfigure external and internal competences to address environments changing rapidly is its Dynamic Capability (Teece et al., 1997). According to Eisenhardt & Martin (2000), Dynamic capabilities are the ways in which new configurations of resources are achieved by firms as markets emerge, collide, evolve, split, and die through its organizational and strategic routines. This capability is dynamic as the firm's competences, both internal and external, must be build, adapted and configured continually for congruence to be achieved with the changing business environment especially when product timing and time-to-market are critical, the rate of change of technology rapid and determining the nature of markets and future competition hard (Teece et al., 1997).

Between a shifting environment and a firm's resources, dynamic capabilities acts as a buffer by enabling a firm sustainably maintain its competitive advantage, which would otherwise be eroded, by helping it adjust its resource base (Aosa & Rugami, 2013). The processes of change, inventing and re-inventing the business architecture, selection of assets, and asset orchestration are the emphasis of dynamic capabilities (Helfat, et al. 2007). The firms which are able to sense and then seize new opportunities and further reconfigure, in line with recognized opportunities and environmental change, their resources and capabilities is assumed that they can create and sustain a competitive advantage (Teece, 2012, 2009).

Sensing, seizing and reconfiguring capabilities are classifications of Dynamic firm capabilities (Teece, 2007, 2009). Where the ability of firms to have their environments scanned continuously and search for opportunities, inside and outside the organization's boundaries, that are opening up constantly is its sensing capability. Its ability to seize and recognize value and potential in the opportunities by recognizing target customer or selecting the right technology is seizing capability. Reconfiguring capability is the ability to reconfigure and recombine the resource base in order to address opportunities and changes in the environment (Breznik & Lahovnik, 2015). Strategic responses by any given firm in any given competitive environment will therefore much depend on the firm's dynamic capabilities, so that two firms will react differently to the same change in the competitive environment.

2.3 Organizations' Strategic Response and Dynamic Competitive

Environment

Strategic responses, according to Pearce and Robinson (2005), is the formulation and implementation of plans that are designed to achieve the objectives of a firm through a set of actions and decisions. It enables an organization to achieve its objectives amidst the competitor's existence through formulation, implementation and evaluation of cross functional decisions (Mutuku, 2014). Strategic responses require change of strategy by organizations in tandem with changes in the environment and to redesign their internal capability to match this strategy (Grant, 2011) and, according to Luo et al (2001), firm growth will largely benefit from a strategy that is closely aligned to the external environment.

Grant (2000) noted that when the organization creates and maintains a match between its strategies on the one hand and the environment and internal capability on the other hand, it ensures its survival and success. Khandwalla (1985) notes that the terms on which organizations base their business decisions or transaction largely depends on the environment as the key source of opportunities and threats as well cause of problems, constraints and exigencies to the business.

Businesses, therefore, must be constantly alert to competitive pressures for their competitiveness depends on their ability to monitor the environment and accordingly adapt their strategies. According to Ward et al (1995), in every design pertaining to strategy and operations there is need for considerable attention to be paid to all the elements of the environmental. For there is need for organizations to develop capability to cope with day to day events and unexpected but of critical important events in the environment for them to maximize their long term effectiveness (Smart & Vertinsky, 1994)

In dynamic competitive environments where change happens on different levels with varying impacts, according to Bitar (2003), strategy belonging to the classical schools have shown their limits as economists or planners of industrial age do not have the time to gather data that is adequate and necessary, let alone analyze it, to engineer a fit between a turbulent environment and a shifting organization or find a position to go after and that strategy is viewed at as a process arising from a complex interaction between the organization's capabilities, business environments and individuals.

In less complex and dynamic environments, competitors are likely to consider change of strategy as not necessary and as such organizations only need to adopt differentiation strategy and focus more on innovation in its production processes to prevent imitation by industry, and enjoy a price that is premium (Kabadayi et al, 2007)

2.4 Empirical Studies and Knowledge Gap

Various studies have been done to establish the strategic responses of organizations in relation to the dynamic business environment they are operating in. These studies, spanning different economies, cultures and social settings, arrived at varied conclusions. Qi (2004) in his study on the strategic response to a changing environment: a case study of Chinese township and village enterprises, focused mainly on the institutional changes facing the firms; that is the political, economic, social and technological changes.

The changes focused on were more relevant given the market reforms that the Chinese economy witnessed since the 1980s. He used the Miles & Snow (1978) topology of defender, prospector, analyzers and reactor to analyze the firms' responses. From his study, he concluded that the firm under study responded to the changes in the environment with a prospector strategy. In arriving at the conclusion, he noted the understanding of the conventional 'environment strategic fit', needs to be put in the context each firm is operating from.

Luo et al (2001) studied the Strategic Response to a Volatile Environment: The Case of Cross-Cultural Cooperative Ventures. They focused their study on international joint ventures in an emerging market; more specifically China. The study examined the environment-strategy configuration and its performance implications for the joint ventures. The study findings suggest that the joint ventures exhibit distinctive strategies in such a context and that perceptions of how complex, dynamic and hostile the environments is significantly associated with strategies adopted. More specifically, managers' perceptions of increasingly complex, dynamic and hostile environments, is found to be positively related to the intensity of Analyzer orientation strategy. The study confirmed that the analyzer strategy is best strategic posture for international joint ventures.

Smith (2002) on his study, Strategic responses to market changes, sought to find out how marketing strategies that are better are created by medical companies. The study focused on the medical markets of medical equipment/devices, Pharmaceuticals and diagnostics and researched on more than 50 medical products companies in the UK. The study found that the companies, in creating strategies in line with the changing macro-environment, were ill equipped. This is primarily because the entry barriers to the industry such as technical difficulties, regulations, the requirements of capital and issues of scale, have always shielded the industry from some of the competitive pressures faced by other industries.

Akhter & Barcellos (2013) studied the competitive threats, strategic responses and performance of Brazilian B2B firms. This study, again focused on an emerging economy of Brazil with globalization, sought to find out how executives of four B2B economic sectors of Brazilian (transportation, business equipment, telecommunications and steel industries) viewed the internal developments in the competition, strategic responses to the developments, and the outcomes of the responses, in terms of finances and markets.

Their findings show variation of competitive intensity emanating from globalization from one sector to the other and firms responded differently and that the implemented strategies by local firms had an impact on their performance and also on their industries. They concluded, according to the findings, the alignment of response strategies and developments in the market was a deliberate effort by the executives.

On the regional level, another study, *Responding to International Competition: The Formulation of Strategic Responses in the South African Banking Industry* (Winslow 2007), focused on exploring the response strategies adopted by South African incumbent banks to international competition by investigating the response strategies deployed by three banks in South Africa to the entry of Barclays into the South African local market in 2005.

The study found the responses ranged from an aggressive defense of their profitability and share of the domestic market to expanding actively into new markets. The differences in responses, according to the study, were influenced by the organizations' process of formulating strategy and market position and perception of the environmental threat.

On the local scene, a study by Ndungu et al (2014) on Response Strategies by Commercial Banks to Economic Changes in Kenya, examined the strategies used by commercial banks in Kenya to respond to changes in the economic environment. A sample of thirty five banks was used. The study established that the commercial banks have been able to respond to the changes in their environment through retrenchment strategies which involved cutting operating costs and divestment of non-core assets. Other response strategies that the study found include investment, innovation and expansion into new markets.

Owiso(2015), in strategic responses and dynamic business environment at copy cat kenya ltd, sought to establish the strategic responses adopted by Copy Cat Kenya Limited, in response to the dynamic business environment in Kenya. The study found that copy cat limited engaged in partnerships, expanded to the region, differentiated on products and engaged in more research in response to the dynamism in the competitive environment. The study recommended changes in hiring policies in the firm, constant review of strategy and for the company to work closely with government to influence policy at the formulation stage

Mutuku (2014) in strategic responses to the dynamic business environment in Kenya by old mutual Kenya limited found that Old Mutual Kenya adopted various strategies to respond to changes in the Kenyan business environment. The company adopted diversification, good corporate governance, products differentiation, market segmentation, acquisition, expansion, business process automation and strategic partnerships. The study recommends that the company should continuously scan the environment and speed up implementation of various strategies adopted for it to stay ahead of competition.

Akhter & Barcellos (2013) in their findings reported that strategic responses to changing market conditions varied depending on the markets the firms were in. Several studies have been done on how firms respond to the dynamism in their competitive environments but a majority of those studies are from different economic settings, mostly the developed and the emerging markets.

Studies done locally have tended to concentrate on the service sectors of the economy and yet response strategies are industry and market specific. The manufacturing sector though billed as the key pillar in ensuring quality jobs and key contributor to the economy going forward has not been studied adequately. Cement as a product is unique in the sense that its undifferentiated and generally produced for local consumption. It's this gap that this study seeks to fill, by seeking to find out what the strategic responses have been adopted by the East African Portland cement co ltd in response to the dynamic competitive environment.

The chapter covered theoretical foundation of strategic responses to dynamic competitive environment. Theories discussed were Market based view; Resource based view, and dynamic capability view. The theories were discussed in relation to strategic responses to dynamic competitive environment and how organizations strive to gain competitive advantage. Theoretical foundation of strategic responses to dynamic competitive environments was established. The chapter also covered a review of various related studies conducted by researchers on strategic responses to changing environments. The review of empirical study covered both international and local studies. The review of related studies led to knowledge gap being clearly identified.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology the researcher employed in investigating the strategic responses adopted by the East African Portland Cement Company Limited Kenya to the dynamic competitive business environment. The chapter discussed the research design used, data collection & analysis tools and techniques

3.2 Research Design

The process to discovering new knowledge is called research and the glue that holds the research project together is research design (Trochim, 2005). It's the overall strategy that is chosen to integrate, in a coherent and logical way, the different components of the study, ensuring that the research problem is effectively addressed.

The study was conducted through a case study and was considered most appropriate as it was possible to emphasize on depth rather than breadth since it focused on a single unit. The east African Portland cement company ltd is a major player in the cement sub-sector and was viewed as important in understanding how manufacturing industries respond to the dynamic competitive environment.

3.3 Data Collection

The study relied on primary data and secondary data, which was largely qualitative in nature. Secondary data was from previously published company reports while primary data was obtained from heads of department at the East African Portland Cement Company Limited using interview guides. The departments include Human Resources, Finance, production operations, sales & Marketing, Information Communications & Telecommunications, Supply chain and Strategy. These managers are involved in strategy formulation and implementation and functionally ensure sustained good performance by the company.

In this case study, a face to face interview was the method used in data collection and it provided in-depth data which a questionnaire would not have been capable of giving. The interview guided against confusion of questions as any clarification and explanations of the questions was given by the interviewer. The interviewer, while assuring confidentiality, was also able to convince the respondents about the importance of the research and thus respondents gave honest and more complete information.

3.4 Data Analysis

This section discussed the techniques that were used to analyze data. Data analysis begins as collection of data is completed and ends at the interpretation and processing of the data (Cooper & Schindler, 2006). The raw data was analyzed through content analysis, after checking for completeness and consistency. Content refers to meaning of information tracing trends over time and space.

According to Mugenda and Mugenda (2003), determination of factors explaining specific phenomena by studying information already existing is the main purpose of content analysis. Content analysis is a flexible method and is extremely well-suited to analyze data collected from questions that are open-ended having no pre-prepared answers rendering coding difficult. Preselected sampling units are used in content analysis to produce frequency counts and other insights into data patterns.

To carry out effective analysis, written or recorded material, following procedural rules divided into analytical content units then step by step analysis is done. The text interpretations, in line with research questions, are categorized and revised accordingly through iteration process within the process of analysis and the results subjected to reliability and validity checks.

The chapter delved into details of the methodology the researcher adopted to carry out the study. The design of the research, data collection technique and procedure used for data analysis were discussed. Data collection was through a face to face interview of East African Portland Cement Company Ltd heads of departments. An interview technique through use of an interview guide was used in order to get in-depth information which is not possible with a questionnaire. The chapter also discussed the data analysis technique the researcher used which was content analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents summary of results of the study, analyses data collected and discussions on the findings as set out in the research methodology. The study objective was to determine the strategic responses to dynamic competitive environment by the East African Portland Cement company limited in Kenya. Data was collected through interviews of heads of departments involved in strategy formulation and implementation as set out in the methodology.

These departments were Production operations, Human Resources Management, Risk Management, Supply chain, Sales & Marketing, ICT and Strategy & Business Delivery. All the targeted respondents participated; making the response rate 100%. Data was analyzed using content analysis after checking for completeness and consistency.

4.2 Dynamic Competitive Environment

The research sought to find out from respondents the changes in the competitive environment that have had major impact on the operations of the business, specific areas that, in their opinion, had adversely affected by the changes and whether the changes and areas affected, required any special attention.

4.2.1 Changes in the Competitive Environment

Organizations face an ever changing competitive environment and these changes have effects on the operations of these organizations. This study sought to find out the changes that were happening in the dynamic competitive environment of EAPCC. The respondents were asked of the changes in the competitive environment that have had major impact on the business. From the interviews, the respondents cited new entrants, expansion by existing players and an expanding economy as the key changes that have impacted on the business.

The new entrants and expansion by the existing players increased competition. The cement players increased from three to seven in a span of seven years and two new players at the construction stage of their plants. This increment was huge and sudden that the market was significantly disrupted with many of the players adopting low cost as their entry strategy. The new players were aided in part by the emergence of low cost cement manufacturing technology and equipment from China.

The last decade has also seen significant growth of the economy in Kenya and the region, driven in part by the construction industry. This expansion provided a huge opportunity for cement firms and the new players were mainly attracted into the market by opportunities offered by the expanding economy. The expanding economy was driven largely by the government's heavy investments in infrastructure and the changes on the political front brought about by devolution were also cited as a key driver in increased uptake of cement and cement products. Devolution acted as a key stimulant of economic activities in the rural areas.

Other changes cited by the respondents in the competitive environment included the Kenya shilling losing value with respect to the other hard currencies. These had two impacts on the operations of EAPCC; one was the costs associated with servicing a Yen denominated loan and the other increasing cost of maintenance and energy costs. Imports that came from China and the region also had the effect of disrupting the market. The construction industry was largely dominated by Chinese construction companies who tended to favor importing all inputs from china for the projects.

Bargaining power of distributors was cited as another change in the environment. Cement sales are generally conducted through a chain of distributors spread across the country. Overtime these distributors, less than two dozen in number, have acquired disproportionate power to an extent of determining which product reaches which part of the country

4.2.2 Areas Affected by the Changes in the Competitive Environment

The respondents were also asked to list areas affected by the changes in the environment. The study found that as a result of the changes in the environment, several areas of the business were affected. The areas affected included the market which was depressed, product market prices were also depressed, human resources and heightened competition for raw materials. The market was depressed as a result of ability of the new entrants to lower prices significantly, while the new entrants were also able to poach qualified manpower from EAPCC, thereby increasing staff costs.

The combined effect of price depression and market erosion had the effect of reducing the company's revenues. Forex fluctuations had an impact on maintenance costs as consequent of increasing cost of imported spares and financing costs as the company is exposed to forex denominated loan.

4.2.3 Need for Special Attention

Respondents were asked whether as a result of the changes affecting the business the areas affected required any special attention by the company. From the study findings, all respondents replied in the affirmative, emphasizing that the company needs to put appropriate measures in order to improve the organization's performance. For example, they cited the need to relook at the company's human resources policies in order to address loss of qualified manpower to competition.

The negative effect the changes were having on revenue through price depression and market erosion impacting directly on the company's profitability, threatening its competitive position in the market. Government also may need to develop a local content policy and embed the same on each and every contract for the construction projects given out in the country. This will have the impact of ensuring that all cement inputs to those projects all exclusively sourced locally

4.3 Strategic Responses

The study also sought to find from respondents the strategic responses employed by EAPCC in light of the changes in the cement industry in Kenya, whether they considered the responses to be appropriate, reactive or proactive. The study also sought to find out from the respondents if there were any benefits to the organization as a result of adopting the strategies, frequency of reviewing the strategies and other strategic responses that, in their opinion, the company should adopt.

4.3.1 Strategic Responses Adopted by the Company

From the responses on the changes on the competitive environment, it is clear the competitive environment of the cement industry has significantly changed. Like all companies faced with such dynamism in the competitive environment, EAPCC, needed to respond to the changes in order to remain competitive in the market.

The researcher sought to find out from the respondents what strategic responses did EAPCC adopt in responses to the changes. The study found that the company responded by mainly focusing on operational efficiencies, diversification and outsourcing strategies. The company sought to increase its product range by diversifying into value added cement products, mainly pre-cast paving blocks. The market for paving blocks has been increasing with expanding real estate investments and changing customer tastes. Paving blocks business has traditionally been a preserve of non-cement producers who normally would buy cement and add value by making paving blocks.

In seeking to diversify, the company was seeking to offer total solutions to the customers while benefiting by increasing customer retention and create another revenue stream on the value added products. This strategy was a direct response to the company's reduced revenue brought about by the depression of prices of its main product, cement. The paving blocks business was presently dominated by the market leader Bamburi and other non cement producers.

The company also outsourced some of its non core activities in order to concentrate on its core business of manufacturing cement. The key activities that the respondents cited as successfully outsourced are mining activities, security services, cabbage collection, printing services, cloud based e-board services, raw materials and cement transport services. This outsourcing strategy enables the company concentrate resources on its core business of manufacturing cement. This strategy was employed to reduce on cost as the vendors which the services were outsourced were better qualified and cost effective to perform them.

The new players that came were cited to be lean and efficient; they were therefore able to reduce on prices of product in the market. In order to competitively compete, EAPCC also focused on operational efficiencies. The company focused on ensuring its production processes are cost efficient including introducing in its structure function of energy management that was responsible for ensuring energy is used most efficiently (energy costs account for up to 30 % of all variable costs in cement production). Other measures included changing its distribution model to reduce on the cost associated with route to market.

This operational efficiency strategy was a direct response to the new players' low cost market entry strategy and the company needed to respond by being in a position to compete on price. The company also introduced a research and development section to spearhead its product development and also research on new innovative ways of improving on production efficiencies including use of new combustibles and early adoption of new technologies relevant to the business.

4.3.2 Appropriateness of the Adopted Strategies

Any given change in the competitive environment results in different effects in the competitive position of any given organization. Different organizations will therefore respond differently to any given change in the competitive environment. Responses will largely depend on the resources the organization have in its control, competitive position of the organization in the industry and the nature of change that the organization perceives is happening in its competitive environment.

The respondents were asked whether, in their opinion, the strategic responses adopted by the company were appropriate to the changes in the competitive environment and the respondents answered in the affirmative while voicing concern on implementation. The operational efficiency and outsourcing strategies were aimed at improving the company's margins in light of product price reduction in the market while diversification strategy was aimed at creating another revenue stream for the company while also seeking to offer customers total cement solutions.

4.3.3 Are the Adopted Strategies Proactive or Reactive?

Organizations graft strategies in response to the changes in its competitive environment in anticipation of the changes or in reaction to the changes. Proactive strategies will have been crafted long before the changes happen and will therefore be more innovative in nature. Reactive strategies will be in direct response to competitive environmental changes.

The study sought to find out if the strategies adopted by the EAPCC in response to the dynamic competitive environment were proactive or reactive. From the study, it was found out the strategies were mainly reactive in nature, though subsequently the company also introduced a research & Development section as a way of proactively position itself in the industry. This decision was seen as a proactive response to the dynamism in the competitive environment as it seeks to spur innovation in order for the organization to remain competitive.

4.3.4 Benefits to Organization as a Result of Adopting the Response Strategies

Organizations design and implement strategies for gaining and sustaining positions of advantage in competition. The key aim is to outperform rivals in any chosen market or improve in performance as measured by such indicators as profit. The study sought to find out from the respondents whether EAPCC derived any benefits as a result of implementing the response strategies. The respondents cited cost containment as a key benefit resulting from the implementation of the response strategies.

These efficiency gains are reflected in the organization's ability to competitively price its products in the market. The other benefit is marginal gain in market share, brand visibility and the company's installed capacity is almost fully utilized. Improved revenue as a consequent of the added stream from precast products was also cited as a benefit as a result of implementing the diversification strategy.

4.3.5 Frequency of Reviewing or Amending Strategy

Organizations continually review strategies for relevance and appropriateness in the ever changing competitive environment. The researcher sought to find out from the respondents the frequency of amending or reviewing strategies in the organization. The interviews revealed that the East African Portland Cement Company Ltd reviews her strategies annually through budget reviews with five year strategic plans.

4.3.6 Other Strategies that Should be Adopted by the Company

The study sought to find out from the respondents what other strategies, in their opinion, should EAPCC adopt for sustained competitive advantage in the ever changing competitive environment. Strategies cited by the respondents included expansion strategies, asset retrenchment, strategic alliances, more diversification and human resource strategies. On expansion strategies, the respondents noted that the company needed to expand on its cement production and more specifically on clinkering in order to strategically position itself regionally as most players were importing the clinker for their cement production.

On cement production the company was running on almost full capacity providing limited flexibility on issues like maintenance of the existing plants, again impacting of cost of production. Asset retrenchment also featured among strategies that the respondents felt needed to be adopted. The asset targeted was specifically land that had been mined of material already. The land can be sold to support operational efficiency strategies already put in place and also providing cash to finance the clinker and cement production capacity expansion.

The respondents cited the need for the company to diversify into producing other products apart from the already rolled out paving blocks. They opined that the company needs to diversify into the ready – mix concrete business to take advantage of the available opportunities available especially around Nairobi and its environs.

Strategic alliances and human resource strategies were also cited as important strategies that the company ought to adopt. On strategic alliances, the respondents opined that the company should enter into alliances with cement technology holders for knowledge transfers through trainings and research collaborations. Other strategic alliances also should be with real estate/construction companies. The respondents also cited need to change the company's human resource policies to improve on staff retention.

4.4 Discussion

The objective of the study was to establish the strategic responses deployed by the east African Portland cement company ltd in the dynamic competitive environment. From the study findings and in agreement with other studies cited in the reviewed literature, EAPCC faces an ever changing competitive environment. These changes presents both opportunities and threats to the organization in agreement with observations by Ndungu et al (2014) that the external environments influence an organization's strategic development by creating both opportunities and threats. Cement is not a differentiated product and consumers do not bare a cost by switching from one firm to another (low switching costs) and, as per porter's five forces model, intense rivalry and competition naturally follows when a product lacks differentiation (Salem & Selim, 2010).

The study found that many new players entered the market within a short time creating intense competition. The entry of many players within a short period in an industry that tends to be oligopolistic in nature in itself presented a rapid and disruptive change to the competitive environment. Faced with changes in the competitive environment, EAPCC had to respond appropriately to the changes and as Aosa (1998) noted, the future of an organization can be put at risk if the organization fail to constantly adapt its activities and internal configurations to reflect the new external realities. Indeed, Babatunde & Adebisi (2012), found organizational performance and strategic environmental scanning were closely related, concluding that effective organizations are as a result of strategic environmental scanning.

Cement is not a differentiated product and the market generally not segmented meant the new entrants' market entry strategies were limited. Following Porter's generic strategies of differentiation, cost leadership, and focus (Porter 1980); new market entrants' only available strategy to enter the market was low cost proposition. This low cost strategy was employed by all the new players along with other marketing strategies to position themselves in the market.

The study findings that EAPCC responded to the new entrants' low price entry strategy by focusing on operational efficiency suggest a defender strategy of the Miles & Snow (1978) topology of defender, prospector, analyzers and reactor strategies to respond to the changes in the competitive environment. The company by focusing on operational efficiencies was seeking to be in a position to match the competitor's prices in order to defend her market. This is in contrast to what Qi (2004) in his study on the strategic response to a changing environment: a case study of Chinese township and village enterprises, where he found that the subject of the study focused on prospector strategies.

The strategy also compares with the findings of Winslow (2007) in his study on Responding to International Competition: The Formulation of Strategic Responses in the South African Banking Industry. He found the banks adopted responses that ranged from an aggressive defense of domestic market share to an active expansion, taking South African products and services into new markets; in essence combining both defender and prospector strategies. Diversification strategy by EAPCC could be seen as a prospector strategy as it sought to expand product offering in the face of competition the main product line faced.

The study findings that EAPCC responded to the dynamism in the competitive environment through diversification and that expansion was among the suggested strategies by respondents as should have been adopted agrees with findings of Abishua (2010) in strategic responses used by equity bank to compete in the Kenyan banking industry who found that the bank employed product diversification and expansion among other strategies in responding to the environment

Mutuku (2014) in strategic responses to the dynamic business environment in Kenya by old mutual Kenya limited found that among the strategies the organization adopted was diversification into banking and stock broking businesses through acquisitions. These findings compares with the diversification strategy by EAPCC into paving blocks. The study also found that the organization responded by adopting cost focus strategies like downsizing similar to operational efficiency focus adopted by EAPCC in response to the changes in the competitive environmental

Ndungu et al (2014) in their study found the Banks studied responded to the changes in the environment by adopting retrenchment strategies which involved cutting operating costs (which compares with operational efficiencies strategy adopted by EAPCC) and divestment of non-core assets , also suggested by the respondents in this study as one of the strategies that the organization should adopt. The study findings also suggest a relationship between the changes in the environment and the strategic responses by the company. This correlates with findings of Akhter & Barcellos (2013) who found in his study that the executives, of the firms under study, made an effort to align their strategic responses with market developments.

This also compares with Qi (2004) who noted that the understanding of the conventional 'environment strategic fit', needs to be put in the context each firm's operating environment. This clearly follows that the environment and how managers perceive it influences the kind of strategy any given organization pursues.

Luo et al (2001) in their study *Strategic Response to a Volatile Environment: The Case of Cross-Cultural Cooperative Venture* found that international joint ventures' success hinges on establishing a good fit between strategic orientation and the host country environment and concluded that, environmental dynamism, hostility, and complexities imply both market opportunities and threats from competitors, buyers, suppliers, and government authorities in a host country. Their finding suggested organizations which pursued analyzer strategies performed well. This strategic posture were informed by the managers' perceptions of the degree of dynamism, hostility and complexity of the environment and that those who perceived the environment as hostile, complex and dynamic tended to adopt the analyzer strategy as opposed to defender and prospector strategies.

These findings though not agreeing with the findings of this study suggest a correlation between strategic response and managerial perceptions of the environment. This therefore suggests the strategies of operational efficiency focus and outsourcing adopted by EAPCC, suggesting a defender strategy, was a result of the changes in the competitive environment and how managers perceive the degree of those changes, which agrees with findings of Luo et al (2001).

The dynamic capability and resourced based view theories were relevant to this study. The capability based theory suggests that a firm can achieve competitive advantage through distinctive capabilities' possessed by the firm (Grant, 1991) and emphasizes on the organization's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments.

On the other hand, firm resources; according to Barney (1991), are its assets and strengths such as information or organizational processes that are controlled by a firm, enabling it to plan and implement strategies that improve its organizational efficiency. The responses adopted by EAPCC was influenced and informed by the resources the company has and its ability to manipulate them for competitive advantage. The inability of the organization to adopt the strategies suggested by the respondents as should have been adopted is a consequent of the limitations of the resources under its control.

This chapter focused on data analysis, interpretation and presentation of the data collected in the study. The chapter also discussed strategic responses to the dynamic competitive environment by East African Portland Cement Company ltd .In this chapter the changes in the competitive environment and the strategic responses by EAPCC were discussed in details. The main changes identified were new entrants and expanding economy and the strategic responses were operational efficiency, outsourcing and diversification. The chapter also discussed the findings in comparison to relevant theories and other studies on strategic responses to the dynamic competitive environment

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key study findings, conclusions drawn from the findings and recommendations from the study. The chapter summarizes the whole study. The conclusion and recommendations are made in line with the research question and objective. The chapter is thus outlined into summary of the findings, conclusions, recommendations, limitations of the study and areas for further research.

5.2 Summary

Strategic response is a consequent of a changing business environment. This environment will invariably be depended on each firm's context in terms of customers, suppliers, competitors and the economy it is operating in. Organizations therefore need to continually scan the environment for threats and opportunities in order to respond appropriately.

This study sought to find out the strategic responses to the dynamic competitive environment by the East African Portland Cement Company Limited. The respondents were departmental heads of the company as they are involved in strategy formulation and implementation. The research was conducted through an interview guide in which the respondents were asked what changes had taken place in the competitive environment and the strategic responses adopted by the company in order to sustain its competitiveness.

The respondents cited a number of changes in the environment that had impacted on the operations of the organization. Among the changes cited, new entrants ranked high on their list followed by the expanding economy. The new players adopted low cost entry strategy and consequently were able to reduce their prices considerably. This impacted on the company's performance negatively by eroding its market share, impacting on the company's overall performance.

The other impact cited was movement of skilled labor from the company to the competition. All the respondents agreed the changes and the negative impact causing the company needed special attention by management and that the organization needed to strategically respond to the competitive environmental changes for long term competitive sustainability.

The respondents on the strategic responses that the company adopted in response to the changes in the environment cited operational efficiency, diversification and outsourcing as some of the strategies adopted by the organization. Both operational efficiency and outsourcing strategies were a direct response to the low cost entry strategy by the new entrants. The strategies were all aimed at cost reduction and therefore enable the company to match the prices offered by the competition while retaining all other aspects of its product. Diversification to value added products through its precast plant was to enable the company develop another revenue stream other than cement sales.

The respondents was of the opinion the strategies were appropriate to the changes in the competitive environment though largely reactive in nature. The adoption of these strategies resulted in the company benefiting by being able to reduce on product prices after the operational efficiency and outsourcing strategy lead to the company being more efficient in its processes.

The results of the study also indicated the organization reviewed its strategies on a yearly basis in line with the company five year strategic plans. The review was done during the yearly budget cycle. The review was more on expected timelines and appropriateness as to its details and scope. The study also revealed that adopted strategies were not adequate and that the respondents felt the company should respond to the environment more comprehensively to sustain its competitiveness. Among strategies cited as requiring adoption were expansion strategies, both clinkering and cement production.

These, the study revealed, will enable the company position itself to even supply clinker to the other players and also be in a position to expand its market reach with no capacity constraints. Strategic alliances and focusing on innovation through research and development were among the strategies that respondents felt should be adopted. Another strategy cited was retrenchment of idle asset to put to productive use. The liquidation of these assets can be used to fund the envisaged expansion strategy.

5.3 Conclusion

In conclusion, the competitive business environment facing the East African Portland Cement Kenya Ltd is changing and the company's management is aware of the changes. The study found increased competition from new entrants and expanding economy as the key changes facing the company. The company responded to these changes by adoption various strategies, among them operational efficiency strategies, diversification and outsourcing strategies. While there were notable benefits to the organization by the adoption of these strategies, they were largely reactive in nature and therefore defensive and lacking in innovation.

The company also, from the study findings, needed to have adopted other strategies in response to the changes in the competitive environment. The strategies that ought to have been adopted included expansion strategy both in production capacity (of clinker and cement) and market reach. Also cited by respondents was diversifying more into the ready mix concrete market as another strategy that should be adopted by the company.

5.4 Recommendations

The discussions and conclusion on the study findings show that the strategies adopted by EAPCC in response to changing competitive environment were appropriate though reactive and inadequate. It is recommended that EAPCC should invest more in research and development to be in a position to develop and implement more aggressive and proactive strategies for competitive sustainability.

The company should also adopt the other strategies as suggested by the respondents and also focus more in strategy implementation, for poor strategy implementation may result in a good strategy not leading to intended outcomes. This is so given some of the respondents opined that while the strategies were good, they were not fully implemented. It is also recommended that the company revamps its human resource policies in order to reduce on the higher staff turnover that in the long term is costly to the company and erodes the company's competitiveness.

5.5 Areas for Further Research

This was a case study on strategic responses to the dynamic competitive environment by the East African Portland Cement Company Ltd. The study limited itself to the responses and not much on the effect on performance. It is suggested that further research needs to be done on how strategic responses affects the company performance as this research did not expound much on the benefits cited by the respondents.

Cross-sectional survey of cement firms which have been operating in the country for long and facing the same environmental changes needs to be done to give a broader picture of how firms respond to dynamism in the competitive environment, and to find out what factors influences those particular responses. This is because the study did not cover how other cement firms responded to the same changes in the environment nor the factors that influenced those responses even on the East African Portland Cement.

5.6 Limitations of the Study

The limitations of the study included perceived biases of the researcher arising from familiarity with the industry which the subject of the case study is drawn from. The study sought to minimize the effect of this limitation by designing the interview guide that ensures the respondents address themselves to the general aspects of the study, that of changes in the dynamic competitive environment and the strategic responses and avoid minimize instances of interviewer asking leading questions that can arise from being biased unknowingly.

Inadequacy of time and resources is also another limitation of this study as the researcher had to carry out the research in an environment where the respondents were very busy running their dockets. This limitation was minimized by booking for appointments prior to the interviews and the reducing the amount of time spent with them by following an interview guide as an instrument of collecting data.

5.7 Implication on Policy, Theory and Practice

East African Portland Cement Company limited and other firms in similar situations will benefit from the study by using it their strategic managements policies, including the need to always remain proactive in their strategy formulation and implementation. This study is of benefit to policy makers, more specifically government (and government agencies) in formulating policies that affects manufacturing and cement industry in particular.

Some of the policies that will benefit from this research include on trading blocks and equipment import policies on taxation. The fact that the study found the expanding economy as a significant change will also help the policy makers as a feedback on the policies they are implementing. The study results will be beneficial to the organization and others in similar situations or industry as it seeks to position itself in the dynamic competitive environment, to formulate and implement appropriate strategies that ensure sustained competitive advantage and enhanced profitability in the dynamic competitive environment.

The study will also enrich the existing knowledge on strategic management theory and practice, more specifically on strategic responses to the dynamic competitive environment by providing theoretical perspective and focus on manufacturing organizations in Kenya. The study findings will be of benefit to strategic management practitioners as a source of theory for application in the areas of practice. Scholars and researchers will benefit from theory and findings of the study in application in areas of similar situation of study & research and also a source pointing to areas requiring further research on less internationally traded, non differentiated products like cement.

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APPENDICES

Appendix I: Interview guide

PART A: Background information

1. Indicate your gender

Male () Female ()

2. Indicate the number of years you have worked in this institution.....

3. Position held in the organization?

4. How long have you served in your current position?

PART B: DYNAMIC COMPETITIVE ENVIRONMENT

5. List the changes in the competitive environment that have had a major impact on the operations of this organization

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.....
.....
.....

6. Are there specific areas that you think have been adversely affected by these changes? If yes, name them

.....
.....
.....
.....

7. Do you think they need special attention?

.....

PART C: STRATEGIC RESPONSES

8. The business environment for the cement industry has been changing in Kenya. In Light of this, what are the response strategies employed by your company to counter changes from its business environment?

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.....
.....

9. Do you consider the various response strategies adopted by the east African Portland cement Limited to be appropriate to the changes in the business environment?

.....
.....
.....

10. Do you consider the various response strategies adopted by the east African Portland cement Limited to be proactive or reactive to the changes in the business environment?

.....
.....

11. Has there been any benefit to the organization owing to the adoption of these strategies? If yes, briefly outline

.....
.....
.....
.....

12. How often are the strategies reviewed or amended?

.....

13. What other strategic responses do you think should be adopted by your company?

.....
.....

Appendix II – Letter of introduction from the university



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE.....21/09/2016.....

TO WHOM IT MAY CONCERN

The bearer of this letterKIPTEGON MARIUM.....

Registration No. B611910712005.....

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS



Appendix III – EAPCC Authority to collect data



THE EAST AFRICAN PORTLAND CEMENT COMPANY

Holding Life Together

Athi River Off Namanga Road
P O Box 20-00204 Athi River
Tel: (254) 045 6620627, 22777
Fax: (254) 045 – 6620406, 22378
E-mail: info@eapcc.co.ke
Website: www.eastafricanportland.com

Ref: EAPCC/hr.train/research/nm

September 22, 2016

Kipyegon Maritim,
University of Nairobi
NAIROBI

Dear Sir,

RE: RESEARCH PROJECT

We are in receipt of your letter dated **September 22, 2016**, on the above subject.

East African Portland Cement Company Limited acknowledges with appreciation your request to collect data on the **strategic responses to dynamic competitive environment** from our Company.

Kindly get in touch with the Training Officer on Telephone No. **0709 835 533** for details and other modalities.

Please also ensure that the information collected is kept confidential and provide the company with a report of your research findings after completion.

We look forward to fruitful working relations.

Please sign your acceptance of the research on those terms by signing and returning a copy to the Training Officer immediately.

Yours faithfully,
For: E.A. Portland Cement Co. Ltd

JOHN N. OLE KIMANJOI
HEAD OF HUMAN RESOURCES & ADMINISTRATION

Signature

..........

Date.....

..........

Directors: Mr. William Lay (Chairman), Mr. Simon Peter ole Nkeri (Managing Director), Mr. Julius K. Korir
Mr. Kungu Gatabaki, Mr. Henry Rotich (Alt. J.Kinyanjui), NSSF, Prof. Sarone Ole Sena