

**THE PROCESS AND CHALLENGES OF STRATEGY
FORMULATION AT SIMBA CORPORATION LIMITED, KENYA**

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DECLARATION

I hereby declare that this Research Project is my original work and has not been presented by any other person in any other institution to the best of my knowledge.

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DEDICATION

This project is dedicated to my parents Rev. Joel and Mrs. Rose Nyabinda to whom I owe so much. I highly cherish your love, encouragement, support, and guidance throughout all these years. Above all, thank you very much for training me to believe in myself.

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ABBREVIATIONS AND ACRONYMS

SWOT	-	Strength Weaknesses Opportunity & Threats
KVM	-	Kenya Vehicle Manufacturers
AVA	-	Associated Vehicle Assemblers
RBV	-	Resource Based View
MMC	-	Mitsubishi Motor Corporation
MFTBC	-	Mitsubishi Fuso Truck & Bus Corporation
CMC	-	Cooper Motor Corporation
GMEA	-	General Motors East Africa
SCM	-	Simba Colt Motors
CEO	-	Chief Executive Officer
KMI	-	Kenya Motor Industry Association
ABV	-	Attention Based View
SCA	-	Sustainable Competitive Advantage
VRIN	-	Valuable, Rare, Inimitable, Non-tradable
SCL	-	Simba Corporation Limited
CORP	-	Corporation

SBU	-	Strategic Business Unit
CSI	-	Customer Survey Index
CSR	-	Corporate Social Responsibility
ERP	-	Enterprise Resource Planning
MRP	-	Material Resource Planning
SAP	-	System Application Product
FY	-	Financial Year
Ltd	-	Limited

ABSTRACT

Many operating business environments in this modern world are delineated by rapid dynamisms both from internal and external fronts. Businesses must, thence, come up with dynamic and appropriate strategies to respond accordingly so as to ensure they stay afloat. Strategy formulation forms a very critical component of the strategic management process. To that regard, therefore, it involves systematically arranging one's ideas and thoughts with a lot of precision and putting into documentation the logically developed and thought about strategies. Ideally, it is the fundamental stage of strategic management process in which firms use various resources to accomplish objectives of the strategy and goals of the company as a whole. It is worth noting that the ability to come up with, develop, and effectively document strategies successfully is imperative to any organisation. Despite the importance of the formulation process in strategic management, it is often overshadowed or overlooked by the implementation or monitory and evaluation stages. In view of this, this research study, set out to address two main objectives which were to establish strategy formulation process adopted by Simba Corporation and to determine the challenges experienced by the Company in strategy formulation process. The study adopted case study where senior staff were interviewed and their responses analyzed through content analysis method. An analysis of various literatures on strategy formulation did reveal that there is limited knowledge on how strategies should ideally be formulated. This can, hence, be deduced that there is no standard formula or procedure for doing the same. At the same time, various scholars indeed presented varying reasons as challenges to strategy formulation. The study further identified several challenges to strategy formulation including resistance to change, deep rooted culture, conflict of interest, ideological differences, market and customers' expectation, government and legislation, market liberalization, globalization, ethics, communication, and inadequacy of resources among others. The study also found that the Company had adopted diversification as its main strategy in its quest to being one of the major players in the Motor Industry in Kenya. Other sources of data including but not limited to research articles and other secondary company data sources were also very instrumental in this study for purposes of data collection. The findings of this research work indeed contribute to theory and knowledge by clearly underlining strategy formulation process and challenges experienced therein. In addition, this study can be of great interest to managers in the automobile sector as it underlines the need for management to deeply understand their operating environment in order to formulate sound and appropriate strategies that will not only ensure their survival but also growth and profitability within the motor industry thereby positioning them strategically. The study concluded that for organization to survive in the dynamic business environment, it must identify challenges posing hurdles to strategy formulation and come up with strategies that match the prevailing environmental conditions.

CHAPTER ONE

INTRODUCTION

1.1 Background

The key objectives of businesses being growth, survival and profitability aren't only difficult to realize, but also manage without the capability to effectively formulate sound strategies to suit the ever dynamic business environment. Many companies often times have great ideas and means but may have a problem putting the same in a precise manner as readily available strategy to be implemented. Strategies can either be intended or emergent, and can, thus, be defined as the direction, scope and determination of organization's long term goals, then adopting courses of action and allocating resources necessary to achieve the goals (Chandler 1962). Strategy should, hence, have the business domain, long term direction of the organization and, the strategic fit. This will define company's mission and vision statements besides core values.

Several theories exist in support of strategy formulation. For instance, both Resource Based View and Attention Based View theories find their application widely in respect to strategic management. Resource Based View theory is very relevant as it is a systematic approach to formulation process. It identifies and classifies firm's resources through SWOT analysis thereby pointing out areas where a firm is more effective than its rivals. Robert (2001) affirms that RBV is effective in identifying gaps which need to be filled and consequently selecting the strategy which best utilizes the firm's resources and capabilities. Also, Attention Based View theory is equally valuable. William & John (2005) say strategy formulation process is steered by selective attention to organizational issues and initiatives. In view of this, Mintzberg, Pitcher & Pusada (1995) suggest that

formulation processes are best viewed through the lens of issues. Attention Based View theory, thus, stresses that organizational attention is both backward and forward looking, seeking to solve firms' problems and failures (Cyert & March 1963).

In Kenya, companies engage in a number of both long and short term strategies basically aimed at achieving sustainability and profit maximization as well as goals and objectives of such firms. Various companies, nonetheless, find it difficult to achieve all these despite favourable market conditions that may exist alongside lucrative internal resources that are very key to firms' performance. Motor industry in Kenya and the region in general is a very interesting one; it is characterized with many players, stiff competition, easy entry and exit of vehicle models as well as franchise distribution. In addition, the sector experiences market liberalization coupled with high taxes besides ever mushrooming businesses revolving around the industry and globalization too. These are strong motivational drivers to carry out this study. Further, the recent move by SCL to shut down operations in one of its newest motor franchises also stimulated the need to carry out this study.

Generally, Simba Corporation like other organizations, whether for profit or non-profit, private or public has, since, realized the necessity to engage in strategic management to achieve its corporate goals and objectives especially in the wake of strategic plans. The environment in which Simba operates has become not only increasingly uncertain but also more tightly interconnected thereby presenting many challenges to the Company. Strategic management is, hence, imperative to survival turbulent business environments (Taylor 2005). This, therefore, means that managers at Simba are not only required to think strategically but also employ various available means to cope with these changes so

as to come up with ideas necessary to aid proper, effective, sound and relevant strategies in the turbulent business environment as a measure of strategic leadership. This is the surest way of addressing the dynamism in the business environment with the sole aim of meeting a firm's short and long term objectives.

1.1.1 Concept of Strategy

Strategy formulation process results in strategy, plan or solution that is to be implemented (Anthony 1999). Strategy formulation has been a topic of interest to scholars in strategic management for a very long time (Sije&Ochieng' 2013). Strategic management, thus, is an ongoing process to develop and revise future-oriented strategies that allows an organization to achieve its objectives, considering its capabilities, constraints, as well as the environment in which it operates. According to (Ansoff 1980) strategy formulation refers to the process that involves identifying and interpreting strategic issues and events that may have a potential impact on organizational performance.

Global operating environment is never static. It is constantly characterised by competitive forces. This makes it unpredictable besides very uncertain. For organizations to deal with such uncertainties, rivalry and market forces, there is need to design, and develop strategies as and when need be considering prevailing circumstances. Strategic management is about management for sustainable future. Therefore, effective strategy formulation is imperative since it directs the attention and actions of an organization towards its intended purpose. Moreover, it gives clear executable plans necessary for the achievement of goals and objectives. Armstrong (1982) suggests that the importance of strategy formulation increases when a firm is confronted with inefficient markets, need to deal with high degrees of uncertainty, and major environmental changes.

For organizations to achieve their goals and objectives, it is necessary for them to adjust accordingly to their environment (Pearce and Robinson, 1997). This means that, managers have the role of translating every situation facing their organizations into strategy or actionable plans to take advantage of rising opportunities and, cushion themselves from thriving threats. This calls upon managers to shift from planning their work to working their plans right so as to steer their focus from blaming environment's turbulence to relevant and effective strategy formulation in accordance with real strategic leadership. Taylor (2005) suggests that strategic leadership is about managing radical change to achieve dramatic improvement in performance.

Alexander (1985) identifies inadequate planning and communication as two major obstacles to successful strategy formulation. Miniace and Falter (1996), affirm that communication is a key component for success in strategy formulation. In addition to this, lack of inclusivity together with top-bottom skewed management style also poses challenge in strategy formulation. According to Thompson and Strickland (2007), strategy formulation can only be considered successful if planned actions are well put in place and documented ready for implementation. Inclusion of junior employees is equally critical. Many are the times; they are completely ignored. The result of this move may be detrimental even to best formulated strategies as such employees will in turn not take ownership of implementation at a later date. They will, hence, opt to look at the strategy as a management issue rather than an organizational issue.

1.1.2 Process of Strategy Formulation

Strategic planning is a sound concept and that difficulties confronted by some firms customarily result from faulty strategy formulation processes (Hitt 1987). Critical components of the formulation process are identification of a firm's internal strengths and weaknesses and its external opportunities and threats. (Porter, 1980; Higgins, 1983) argue that these activities are very critical early steps in the strategy formulation process.

Thompson and Strickland (1989), view formulation as a process by which an organization chooses the most appropriate courses of action to achieve its defined goals. This process may call for changes in the overall culture, structure, policies and management styles, and systems of the organization among other things. For strategy to be worthwhile and benefit the entire organization, the process should be all inclusive. Strategy formulation involves everybody in the organisation (Lynch, 2003). According to (Simons and Thompson 1998) there exists three categories of factors that affects strategy formulation process; environmental factors, Organizational factors and, employee involvement. These, therefore, call for attention in the formulation process.

1.1.3 Challenges of Strategy Formulation

Successful strategy formulation does go through a lot of stages thereby experiencing some difficulties at some points. In as much as organizations benefit from it immensely, formulation comes with equal measure of challenges. One of the major challenges is; the failure to translate statements of strategic purpose into identification of factors critical to achieving objectives and the resources besides competencies which will ensure its success.

In order to achieve successful strategy formulation, the organization should be able to review its operations and allocate adequate resources and control performance in line with the prevailing environmental demands (Daft, 2000). Worthy of note is that the most common challenge experienced in strategy formulation in most cases is lack of communication. Ideally, communication should always be two ways so that it provides information to improve understanding and responsibility to motivate staff (Wang 2000). This could effectively aid idea generation as well as owning up of formulated strategies by employees as a whole, which in turn would be very vital at the later stages.

Several studies have been done around this subject and different scholars have since presented varying reasons that pose challenges to strategy formulation. For instance, (Butler, Brown et al 2000) identified four main barriers to effective strategic planning to include; Fear, Cynicism, Ignorance, and a combination of time and place. (Marx 1991) argue that, obstacles to effective strategic planning have a direct relation with the formulation process. He identified four root causes of obstacles to effective strategy formulation which are highly interdependent to include; lack of top management's commitment, staff control, entrenched self-interests, and corporate culture. These studies also noted that removal of these barriers will lead to effective strategic planning and consequently provide a vision for future and, actions toward meeting firms' objectives.

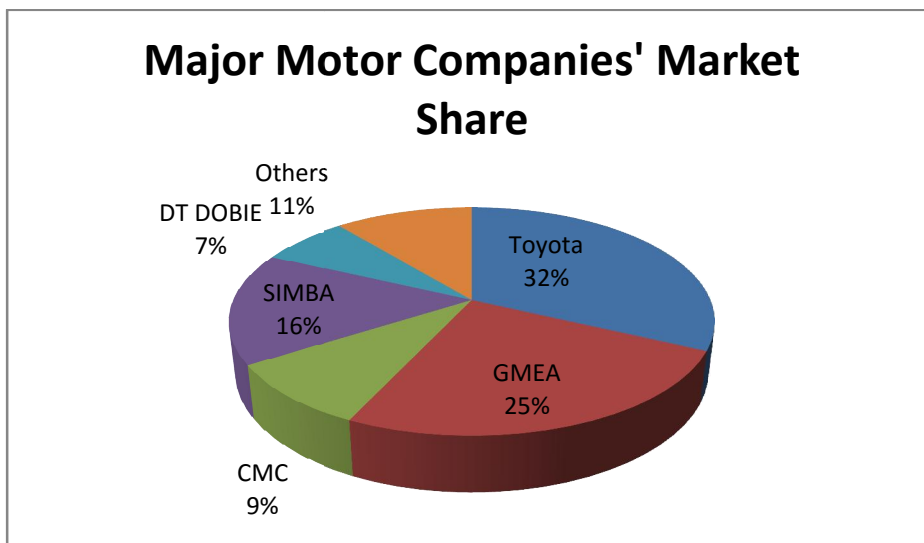
1.1.4 Automobile Industry in Kenya

The automobile industry in Kenya has undergone tremendous growth. The same can be traced back to 1976 when the first Kenyan assembled car was done by KVM. The following year, AVA also assembled its first ever car locally. In 1986, Kenya's first car, famously known as the *NyayoCar* was built. The car market represents one of the largest

business opportunities in the country. The motor industry has since attracted many players including but not limited to Toyota East Africa/Toyota Kenya, CMC, GMEA, SCM, RMA Motors, and DT Dobie among others. However, Kenya is determined to having a shot at this lucrative industry with its Mobius Motors, a local car company that was founded in 2009.

The three (3) dominant industry players; Toyota Kenya, GMEA and Simba Colt Motors have about 73 per cent (73%) of the total motor vehicle market share with DT Dobie and other small players combining to make 27 per cent (27%) of the market share. The strong strategic positions of these major players have made it difficult for the small competitors, particularly those like Stantech, Foton and, Faw Motors among others to penetrate and stamp their authority in Kenya's motor sector. This can be clearly shown as per the below chart: -

Figure 1.0 Market share holding in Motor Industry



Source: Kenya Motor Industry Association (KMI) As At 22 Jan, 2016 2200Hrs

1.1.5 Simba Corporation Limited

Simba Colt Motors is the flagship business of Simba Corporation Limited. It is the franchisee of both MMC & MFTBC. From a modest used-car selling enterprise founded in 1948 by the late Mr. Abdul Karim Popat. Today, SCM's business interests encircle motor vehicle assembly and distribution, spare parts distribution, service, and lease.

Simba Colt Motors Ltd, established in 1968 is today one of the major market leaders in new vehicle distribution in Kenya. The Company operates sales and service facilities in major towns, Nairobi, Kisumu, Mombasa, and Kisii, with an extensive dealers' and stockists' network across the country. SCM is living its vision; the Company has a long-term plan of widening its market coverage according to the Group CEO Mr. Adil Popat. In keeping with global standards, Simba has managed to bag a string of recognized awards and certifications. The Company has also in the spirit of giving back to the society participated in a number of CSR activities.

1.2 Research Problem

Effective strategy formulation is usually a challenge to many firms. Companies often times hire people to bring change to the organization when confronted with undesirable performance. However, viable existing and fresh ideas may not achieve this change as a result of improper strategy formulation. It is an uphill task and a very involving process as it may include changes in systems and processes, policy alteration, changes in leadership, restructuring, resources gathering and, time consumption. Besides, it calls for a lot of patience, understanding and goodwill from those involved. Further, it requires deeper articulation of thoughts and ideas to come up with a concrete result to be pursued.

Simba Corporation Limited has been very instrumental in the private sector in terms of jobcreation in Kenya. The Company has employed over one thousand five hundred employees across the country. In view of this, Simba Corp has undertaken major strategy formulation that have involved Customer Care, Branches expansion, change of leadership, extensive advertisement to create awareness to consumers, creation of promotions to increase sales and acquisition of other motorfranchises.

Variousresearches have been done both internationally and locally on strategy formulationand challenges thereto. From the international front, (Latif et al 2000) focused on Barriers to Effective Strategic Planning and found key barriers to include strict time limits, identical procedures, lack of accountability, and power influence. (Robinson 1991) did a study on Overcoming Barriers to Strategy Formulation and Implementation. He found change to be the underlying main barrier. He concluded that in order to achieve the goal of effective strategy formulation, effective change management and leadership are indispensable. (Robertson 2011) focused on the assessment of four key strategic planning barriers and how to mitigate or reduce them and their effects. In his work, he identified these challenges to include; uncertainty, lack of resources, lack of universal language, and low motivation or morale. Also, (Michaela & Adriana 2011) examined effective strategic action: From Formulation to Implementation, they assert that the success of every small and big business squarely depends on the actions chosen by entrepreneur, CEO or management.

On the local scene, however,several studies have been carried out by many scholars revolving around the subject of the study. These include (Nyika 2000) studied Strategy Formulation among motor vehicles franchise holders in Nairobi, (Kithinji2012) focused

on Challenges of strategy formulation and Implementation at Achelis Kenya Ltd, (Nyambura 2011) focused on factors influencing strategy formulation and implementation of Biblica Africa in Kenya, while(Njiru 2014) researched on strategy formulation process in public secondary schools in Embu County, Kenya.

These studies found that strategy formulation was affected by many varying factors. The studies majorly focused on various sectors and in general perspective. No study has been done in the Motor Industry focusing on how companies here formulates their strategies and the challenges they face on the same,especially in the Kenyan economy that is ideally not stable in nature. Similarly, this study is so very specific to Simba Corporation Limited;therefore, it seeks to fill this gap by answering the following research questions:What strategy formulation process has been adopted by Simba Corporation Limited? And,what challenges is Simba Corporation Limited facing in strategy formulation?

1.3 Research Objectives

The objectives of this study were, therefore: -

- i. To establish strategy formulation process adopted by SCL.
- ii. To determine the challenges faced by Simba Corporation Limited in strategy formulation.

1.4 Value of the Study

The findings of this study will be of great significance to current, future and aspiring researchers who may need to carry out studies on strategy formulation and challenges

thereto within other motor companies in Kenya. This will, hence, be instrumental in expanding their knowledge. Further, it will help them identify areas for further research.

In addition, the study will provide the Management of Simba Corporation Limited with a clear picture of the challenges facing the Company in developing new strategies. This will help its Management in preparing adequately for future strategy formulation processes. Besides, it will also enable them choose strategies that will not only be documented once developed, but also be implemented with a lot of ease.

Moreover, the Government and regulators of the motor industry such as KMI will also find the study useful since they will be able to know how policies they put in place affect the strategies developed by the players in the industry. The policy makers will further gain insight into what challenges the players in the market are confronted with.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature related to the process and challenges of strategy formulation. It consists of the following sub-sections; Theoretical foundation, strategy formulation process and challenges of strategy formulation.

2.2 Theoretical Foundation

This study is anchored on two theories namely; Resource Based View Theory and Attention Based View Theory. These are discussed below: -

2.2.1 Resource Based View Theory

This theory strongly emerged in the 1980s and 1990s after major publications done by Wernerfelt Birger. Wernerfelt found RBV in 1984. However, the origins of RBV can be traced back to earlier research. Retrospectively, constituents can be identified in works by Penrose (1959), Stigler (1961), Chandler (1962), and Williamson (1975), where more emphasis is laid on the significance of resources and its implications for organizations' performance (Mahoney and Pandian, 1992).

Resource Based View theory looks at resources as key to superior firm performance and attainment of sustainable competitive advantage. As a basis of competitive advantage of a firm, RBV depends primarily in the application of a bunch of valuable tangible or intangible resources at the firm's disposal (Wernerfelt 1984). This is vital since failure to effectively come up with proper and sound strategies has been attributed to inadequacy of resources by management in most organizations in many occasions.

Resource Based View theory has numerous strengths with regards to firms' performance and strategy formulation. In general, it explains its ability to deliver SCA when resources are managed such that their outcomes cannot be imitated by competitors. This ultimately creates a competitive barrier within the operational environment and markets (Mahoney & Pandian 1992). RBV, further, explains that a firm's SCA is reached by virtue of unique resources being valuable, rare, inimitable, non-tradable, and non-substitutable (VRIN), as well as firm-specific (Barney 2007).

On the other hand, however, RBV has its limitations. The theory operates on the assumption that the environment is static which in real sense can never be true. According to Priem and Butler (2001) there is also the assumption that a firm can be profitable in a highly competitive market provided it can exploit advantageous resources, but this may not necessarily be the case. In view of this, RBV ignores external factors concerning the industry as a whole which is equally important in formulating strategies. Similarly, RBV only focuses on SCA ignoring competitive survival which is equally significant especially in the wake of stiff competition. Furthermore, it is perhaps strenuous, if not impossible, to find a resource essentially gratifying all of the VRIN criteria as advocated by this theory.

In practice, RBV, therefore, is very relevant to the topic under study. This is because in formulating strategy, a company must consider its internal capabilities and available resources that are very critical in sustaining the intended strategy to be pursued. Moreover, the strategies can also be developed in a manner that other players within the motor industry may not find easy to adopt, copy, or counter so as to ensure firm's

SCA over a long period of time. In addition, this study sought to depict the importance of external environment in strategic management realm to address the limitation of RBV in strategy formulation in particular.

2.2.2 Attention Based View Theory

Attention Based View theory states that managerial attention is the most vital resource of an organization (Ocasio, 1997; Simon, 1947). The decision to assign attention to particular activities is, hence, key to explain why some firms are able to adapt to changes in their external environment as and when need be than others in the same industry or economy. The theory was developed by William Ocasio in 1997. However, ABV can be unearthed back through major works based on Simon's (1947) attention perspective on administrative behaviour.

Just like RBV, ABV has various strengths to support its application. Ocasio (1997) developed three distinct principles of the attention-based view of the firm namely; the focus of attention, situated attention and structural distribution of attention. All three principles are anchored on cognitive processes like cognitive diversity, comprehensiveness, and extensiveness reflecting the mental models of managers (Miller et al., 1998; Cho and Hambrick, 2006). In addition, according to ABV, managers concentrate their energy, effort and mindfulness on a limited number of issues to achieve a firm's sustained innovation success (Ocasio, 1997).

On the flip side, however, ABV has its limitations too. It advocates for selective attention on activities and processes. In real life situation, however, operations would focus on the whole so as to attain admirable overall performance rather than a section of the process or organization. Further, attention based view theory assumes that managers will always

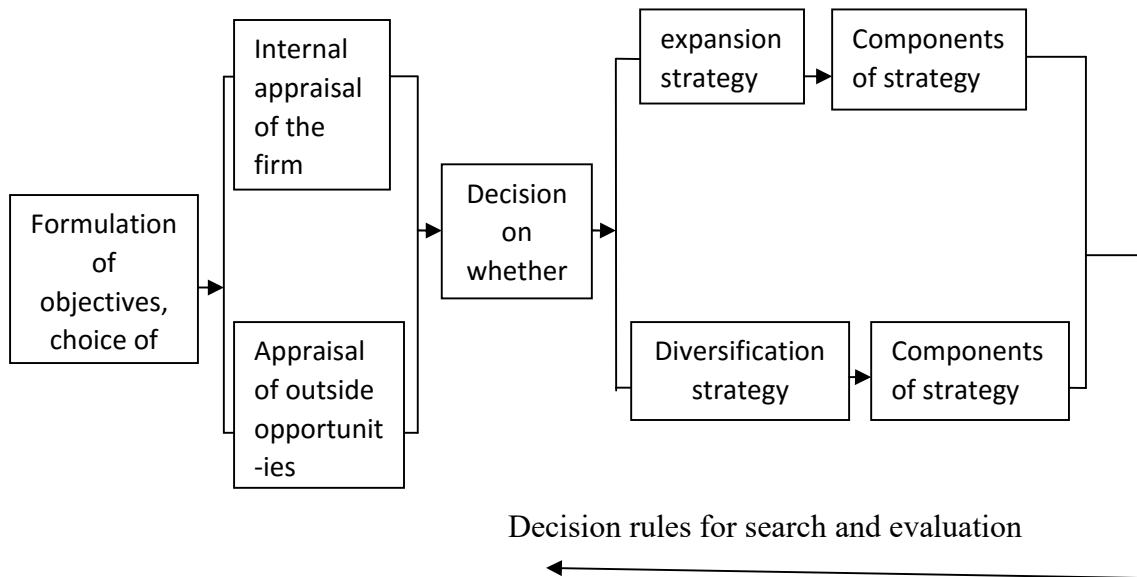
devote not only their concentration, but also their energy, capabilities, interest and efforts fully on matters related to firms' innovation which ideally may not be true in a number of instances.

From the aforementioned, therefore, ABV is relevant to this study as the topic calls for managers' attention on activities both within and outside environment in informing their decisions. Similarly, the theory depicts importance of attention on various issues so as to easily adapt to changes for sustainable development. Furthermore, the study would seek to utilize maximum attention of managers in strategy formulation process to develop sound and effective strategies.

2.3 Strategy Formulation Process in Organizations

Strategy is a very important tool in management. Ansoff introduced the concept of strategic planning in early 70s in management (Feurer&Chaharbaghi, 1997; Mohamed, Ann, & Yee, 2010). With this, Joel Ross and Michael Kami are of the opinion (as cited in David, 2013) that "Without a strategy, an organization is like a ship, without a rudder going around in circles". According to (Ansoff 1965, 2005), an organization should attain its objectives by exploiting the internal strength factors and critically look at decisions in three fronts namely; Strategic, Administrative and Operating to guide appropriate actions and desired strategies. These can be summarized as per the below diagrams as advocated for by Ansoff.

Figure 2.0 Decision Schematic in Strategy Formulation



Source: Ansoff, H.I (1965). Corporate Strategy. New York: McGraw-Hill, page27

Table 2.1 Key Decision Types in Strategy Formulation

Decision Type	Action
Strategic	To choose product - Market mix
Administrative	To structure the firm's resources for optimum performance
Operating	To optimize the realization of the profitability potential with the present strategy

Source: Ansoff, H.I (1965). Corporate Strategy. New York: McGraw-Hill, page8

In view of this, (Porter 1980) argues that managers must assess the forces influencing competition in the industry they operate and identify their strengths and weaknesses in light of opportunities and threats when developing strategies. Porter, further, advocates

for his five-force framework as an effective analytical tool in strategy formulation. (Porter 1980) also asserts his generic model in the same. The two reveals the cardinal approaches to competitive advantage through effective strategy formulation; a process that calls for certain key conditions to be met. Lynch and Cross (1995), identified these necessary conditions to include; system to explicitly link operational targets to strategic goals, system must integrate financial and non-financial performance information and, lastly systems should focus business activities on meeting customers' requirements.

Formulation of new strategy will be concerned with adjustments in the structure, employees, systems and styles of doing things so as to accommodate the perceived needs of strategy (Pearce and Robinson, 2007). Wehrich and Koontz (1993) add organizational culture as another important aspect. According to (Thompson 2002) organizational structure on its own is not sufficient to ensure successful strategy formulation; effective leadership and management are required too. In a competitively chaotic environment, one essential contribution of a strategic leader is to provide and share a clear vision, direction and purpose for the organization (Thompson, 1997). Therefore, the right managers must be in the right position for effective development of new strategies (Jones and Hill, 1997).

Motivating and rewarding strong initiatives among employees and units are key success factors in effective strategy development (Shirley, 1983). Rewards are powerful incentives for improving employees' and work group performance and innovation. It can also lead to high levels of employee job satisfaction thereby creating employee loyalty. Reward systems are used to encourage desired performance, creativity and innovation hence new idea generation.

2.4 Challenges of Strategy Formulation in Organizations

According to Al-Ghamdi (1998), hurdles to strategy formulation and implementation include: competing activities that distract attention from generating viable decision; changes in responsibilities of key employees not clearly defined; key formulator of the strategic decision not playing an active role; overall desired goals not adequately defined; insufficient information systems; uncontrollable factors in the external environment; emerging of major problems which had not been foreseen; advocates and supporters of the strategic planning leaving the organization during the formulation process.

On the flip side, Okumus (2003) pointed out the major barriers to include; lack of coordination and support from other levels of management, resistance from lower levels and poor planning activities. Culture on the other hand is a challenge on its own. Strategy formulation would face resistance to change as a result of deep rooted cultural practices. This act can majorly be attributed to perception that new strategies are threatening and tend to be unfavourable to continuity and security (Wang 2000). It is, therefore, the responsibility of strategy formulation team to choose a plan that is compatible with the prevailing corporate culture.

Organizational politics is another challenge, since such politics are tactics that some managers engage into obtain and use power to influence organizational goals and change strategy and structure to further their own interest (Hill and Jones 1999). Such managers may do so as they may regard change caused by new strategy to be a threat to their own power (Wang 2000). Resource insufficiency is another challenge to strategy formulation. David (1997) argues that allocating resources to a particular SBU does not mean that

strategies will be sufficiently formulated and implemented. This is attributed to the fact that a variety of factors prohibit effective resource allocation. These include but not limited to; scarcity of resources, vague strategy targets, organizational policies and lack of sufficient knowledge about proposed strategy hence hesitation of resources allocation.

Lack of effective leadership and good leadership styles are essential for Strategy formulation. This is a major challenge as it will not ensure organization's effort is united and directed towards achievement of its goals (Pearce and Robinson, 1988). In addition, (Reed and Buckley, 1988) states that another problem is when management style is not appropriate for the strategy being pursued; they cite the example of the “entrepreneurial risk taker to be an ideal move for a strategy involving growth, but may be wholly inappropriate for retrenchment”. The duo, further, assert that goal setting and controls are also recognized as problematic, identifying co-ordinated targets at various levels in the organization is challenging and the need for control is heightened as uncertainty and change provide a volatile environment, a point supported by Tavakoli and Perks (2001).

2.5 Empirical Reviews

Gant (1991) did a research on resource based theory of competitive advantage and its implications for strategy formulation. He noted that contributions to strategic management theory of the firm provide illuminating insights into the sources of profitability and the nature of competitive strategy. In his research, Gant found that internal resources rather than market environment should provide the foundation for a firm's strategy. This study further advocated for a framework for resource approach to strategy formulation on the analysis of relationships among resources, capabilities, competitive advantage and profitability.

Kithinji (2012) did a research to establish the challenges of strategy formulation and implementation at Achelis Kenya Ltd. Using a case study and data from both primary and secondary sources, the researcher administered interviews to employees of Achelis and used secondary data gathered between the periods of 2006-2011. The study found that successful strategy formulation and implementation can go a long way in helping a company gain a competitive edge, defining the business of the organization, and achieving right direction.

Jones & Goldenberg (1982) carried out a study to establish the importance of strategic planning on performance, the duo deduced that there is no doubt whatsoever that strategic planning is very much important but formulation of such plans is what is difficult and faces several challenges. According to Snow & Hrebiniak (1980) the way to effective strategic planning is ever full of potholes. Some of which they cited to range from lack of shared knowledge, lack of knowledge and lack of proper linkage at each level of organization.

Khalique (2014) carried out a research on Strategic Planning and Reality of External Environment of Organizations in Contemporary Business Environments. He noted that Strategic planning faces various obstacles but it plays an important and key role in the success and survival of all kinds of business organizations. More specifically in the small and medium enterprises which are considered as the back bone of any economy in the present world.

2.6 Summary of Knowledge Gap

Strategy formulation is a very critical issue for management in Motor sector which can be viewed from two dimensions: First is the Sustainable Competitive Advantage thus, achieving profitability and survival in the market (reference to firm's performance) whereas the other is concerned with having sound internal resources and competencies in place (special reference to organization). The health of the organization squarely rests on the underlying soundness of its individual strategies and the connection among them. Strategy formulation reports on a firm's internal and external strengths and performance from a variety of perspectives; including growth, sustainable competitive advantage, profitability and the impact of the strategy on performance in general.

As long as a company can formulate right strategies, it can perform its responsibilities well and ultimately achieve its objectives. Similarly, if a company can look at challenges surrounding its strategy formulation process, it can craft corrective measures as need arises. This will, hence, address the market forces and will go a long way in attainment of overall goals and objectives of the firm, and consequently keeping such firms relevant and steady in the turbulent business environment. Numerous studies and scholars have argued that a sustainable company is noted by its strategies. From the foregoing summary, it emerges that researchers have not been conclusive as regards to the process and specific challenges affecting strategy formulation in the motor sector in an unstable economy like Kenya, hence the study seeks to fill this gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a representation of the methodology that was used by the researcher to find answers to the research questions. In this chapter, the research methodology is put across in the following order, Research Design, Data Collection Methods, and Data Analysis. The section further expounds how data was analyzed to generate required information necessary for this study.

3.2 Research Design

The research did adopt a case study at Simba Corporation Limited. As per Kothari (1990), case study is a very popular form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit is a person, a family, an institution or the entire community.

To a greater degree, the choice of design was justifiable since it compared quantitative reasoning of a sample and was, somewhat, a representation of the whole population, therefore, minimum biasness thereto. Descriptive study standardizes measurement more precisely by instilling uniform definitions upon the respondents. This standardization helped in ensuring that similar data was collected from distinct individuals then analyzed and interpreted comparatively. Furthermore, descriptive study was also suitable for this study, since, it collected data from different individuals that could be compared in terms of different factors such as age, gender and designation. The researcher chose to use this

kind of research design bearing in mind his desire to obtain first hand data from the correspondents so as to derive rational, concrete and sound conclusions as well as appropriate recommendations for the same.

3.3 Data Collection

The study applied both primary and secondary data. Primary Data was collected using an interview guide. The interview guide, thus, majorly comprised of open ended questions. The correspondents basically included; Customer Service, Sales, Service and Parts Departmental Heads, and Operations Manager. The researcher settled on their choice since they were the persons directly involved in strategy management at respective departmental levels and later actively involved in the overall Company strategy management.

The aforementioned were in a better position to give appropriate information in relation to the subject under study since Simba Corporation Limited being in the competitive Motor Industry; most of its strategies are strongly geared towards marketing, operation as well as customer focus and sales. The researcher obtained secondary data from the Company's analysis of strategies formulated, overall quarterly reports, Company's website as well as journals.

3.4 Data Analysis

Kothari (2004) defines data analysis as a procedure that includes the process of packaging the collected information, putting the same in order and structuring its main components in a way that the findings can be easily and effectively communicated.

Data collected in this research were barely qualitative in nature. This facilitated analysis by use of content analysis method. Content analysis, basically, is a criterion for systematically describing written, spoken or visual communication. To that regard, therefore, this technique enabled the researcher to filter through voluminous data with analogous ease in a systematic manner. Content analysis, further, provided an empirical means for evaluating shifts in respondents' opinion with regards to the research topic.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This was a case study; data is, hence, qualitative in nature. The research objectives were to establish strategy formulation process adopted by SCL and challenges faced by this Company in the same. In this chapter, the findings are presented under two major headings namely; strategy formulation process and Challenges of strategy formulation. The other section will cover the general information and choice of interviewees as well as reasons for their selection. The results are purely built on the rejoinders obtained from the respondents.

4.2 General Information

The researcher sought to establish how long the interviewees had been employed by Simba Corporation Limited with a view of determining how experienced they are in matters regarding the Company. It was observed that all correspondents had worked in the Organization for more than three (3) years; hence, they had hand full information with regards to the topic under study. The interviewees were further asked for information on their designation and education background to establish their level of involvement and role in strategy formulation process. The interviewees' level of education helps them in carrying out strategy formulation tasks. The study noted that the interviewees all have at least a Bachelor Degree with some having Master Degree and other professional qualifications.

Resource based view theory stipulates that resources are key to superior performance and attainment of sustainable advantage. Similarly, attention based view theory also stipulates that managerial attention is the most vital resource in making decisions to assign attention to certain activities anchored on cognitive process. Based on these notions, five key senior managers across different functionalities were chosen to give insightful information pertaining to the subject matter. They included; Customer Service, Sales, Service and Parts departmental heads, and Operations Manager. All the interviewees have had adequate experience on how the Company has gone through formulating its strategies, and challenges faced during this noble exercise. With this solid background, it was felt that the interviewees were knowledgeable on the research subject and, thus, were of great help in the realization of the research objectives.

4.3 Strategy Formulation Process at Simba Corporation Limited

This section of the research did seek to unpack the major activities and activities that the Company does and considers in the process of formulating strategies. Strategic choices are those that are geared towards differentiating a company from its rivals in a manner that is sufferable in the future. Porter (2002) strongly advocates that decisions in businesses can be classified as strategic if they involve some innovation and difference that results in sustainable advantage. Porter (2002) further outlines that combination of operational effectiveness and strategy is essential for superior performance which is the primary goal of any organization. In addition, he affirms that an organization may outperform its competitors when it operates in dissimilar manner not already in practice.

In order to establish how SCL formulates its strategies, the main factors responsible for strategy formulation process were identified. Key among these included; the parties involved in the exercise, Company's purpose in terms of its mission and vision statements besides core values, internal competencies and external environment, how the Company goes about choosing strategy, culture and skills possessed by the management as well as the product package in question among others.

The study first sought to establish some of the strategies that SCL has successfully formulated over the last five years. Some of these strategies included, Diversification, rapid expansion, CSI monitory, hostile acquisitions, Leasing, cashless forms of payment, and advertisement and promotion. The interviewees indicated that they go through some processes which are considered key and critical components in their strategy formulation.

To the question on parties involved in strategy formulation, the interviewees indicated that different approaches to strategy formulation always determine this. In a nutshell, the interviewees reported that both the Company's directors and members of the top management team are key parties involved in strategy formulation when a proactive approach is employed. This often touches on the overall strategy guiding the Company regarding either new processes or launching of new product package to the marketplace. On the flip side, however, managers and their deputies are also involved in strategy formulation at their respective SBUs. These often revolve around daily operations and running of departments, besides corrective measures to curb any deviations anticipated as well as introduction of better performing but already existing ideas elsewhere other than their areas of influence. At the line managers' levels, reactive approach to strategy formulation is in this case often employed.

When asked how the Company defines its organizational purpose, the interviewees indicated that the formulation team sets or revisits the Company's mission and vision statements as well as its core values in line with the overall business operations. Further, the interviewees noted a gap that various SBUs lack their own mission and vision statements hence are tasked to align their respective departmental strategies to the overall business purpose of the Company.

In terms of situational analysis and strategic capability influence on strategy formulation, the interviewees unanimously indicated that the stages of strategy formulation at Simba Corporation Limited, Kenya are all wrapped in SWOT; the Company looks at its strengths and weaknesses considering opportunities and threats. Examination of the gap between company's internal (S&W's) and external (O&T's) environment is done in depth. Using the Company's values, they are, hence, capable to identify courses of action, mostly through situational planning, and choose based on what they deem fit right, possible, or considerably lucrative. Gathering assets, staff, incentive structures, environmental information among others, the selected team will, then, commence brain storming.

The study also sought to find out Simba's strategic capability and how this influence strategy formulation. The interviewees indicated that Simba has a range of notable internal competencies. These include but not limited to well trained staff, technological advancement integrated with its sophisticated SAP system, well designed ERP and MRP sub-systems, easy to understand processes. The Company, thus, banks greatly on these to design superior strategies taking advantage of technology ahead of its competitors in the industry, at the same time seeking to compete against other market leaders.

When asked about external stakeholders and their influence on the formulation process, the interviewees identified external stakeholders majorly considered in the formulation process and how they influence the same. Per the respondents, major stakeholders include; vendors (MMC & MFTBC), competitors, customers, dealers, stockists and local suppliers. All these parties have various demands and binding agreements with the Company. This in turn has both direct and indirect effect on the overall operations and performance. Therefore, Simba should analyze and put under consideration factors from these stakeholders, harmonize and incorporate the same in its strategies to avoid breach of the same and their expectations for smooth running of the Company alongside cordial working relationship.

On the question of how Government influences strategy formulation at Simba, the interviewees indicated that it provides enabling environment for the Company to thrive. Nonetheless, the Government has put in place certain rules and procedures that must be adhered to in the automobile sector. These include taxes, restrictions on vehicle imports, and labour laws among others. Similarly, through the Government, KMI - a body regulating operations and players within this industry has been set. Simba as a member of KMI is obliged to craft its strategies in a manner not contravening but consistent with the provisions set by the regulator.

The researcher asked how culture, ethics and social responsibilities play part on strategy formulation; the interviewees indicated with nostalgia that these are very critical components in the formulation process. The respondents noted that, the Company does a lot to ensure the strategic choices are compatible with organizational deep rooted culture and historical practices to achieve strategic fit. This is very instrumental in later stages of

strategic management. Equally, strategic choices are further guided by the industry ethical practices as well as those of the franchiser as spelt out in both KMI code of ethics and franchise agreement respectively. Additionally, in line with global standards, and part of marketing strategy approach, Simba incorporates CSR in its strategies. The Company participates in noble activities geared towards the betterment of the society annually. Worthy of note are the famous Mater Heart Run, Ndakaini Marathon and First Lady Marathon among others in the country, more specifically, Nairobi County.

On the question of how often the Company reviews and evaluates its strategies, the interviewees indicated that the overall Company's strategies are reviewed periodically, at the close of every circle within the FY. This gives adequate time for corrective measures for the subsequent quarters. Moreover, SBUs' strategies are reviewed regularly especially when deviations that may bar the departments from realizing their targets are detected. These reviews give insight on actual and planned results thereby providing necessary information for adjusting, developing and generating strategies.

The researcher further asked the interviewees to suggest other activities worth noting in strategy formulation at Simba Corporation Limited. According to the interviewees, the motor industry has a strategic planning period. Such periods mostly fall when the Company introduces new vehicle models in the market hence new after sales services too. The Company in this case uses proactive approach to strategy formulation. Once the strategy has been developed, a pilot test is usually done; this is normally carried out at Company's headquarters, Mombasa Road Branch. The idea is to establish how such developments and change will in the long run affect the normal operations of the business and to gauge customer responses before it is rolled out to other branches across the

Country. During the pilot test, the management and the champions can identify areas that need improvement and act on them before the strategy is fully adopted into the system as fully part and integral to operational activities.

4.4 Challenges Facing Strategy Formulation at Simba Corporation Ltd

One major objective of this research work was to establish the challenges that Simba Corp faces in strategy formulation. All the interviewees highlighted several challenges to the formulation process. The challenges were pointed out despite the interviewees having high level of experience, professional competencies and high degree of commitment towards efficient and effective strategy formulation. The challenges ranged from institutional, cultural, behavioural, ideological, conflict of interest, to environmental.

On the issue of how external environment and situational analysis pose challenge to strategy formulation, the interviewees noted that it is time consuming to carry out the study and come up with proper recommendations. As such, it may fall out of the stipulated time frame thereby rendering the exercise obsolete. Further, situational analysis may often time be costly hence may not be appropriately funded thus affecting the results. Equally, the Company focuses much on competition posed by other well established players in its situational analysis which calls for intense work to counter since competition is indicated to be very stiff in this industry.

Addressing issues surrounding external stakeholders and conflict of interest, the interviewees indicated that external stakeholders may have differing preferences to those of the Company. As the former seeks to gain value for their money, for instance customers and vendors, the latter would obviously seek to achieve profit maximization.

Intuitively, various stakeholders both from within and outside the Company do have different priorities which may be contrary to the objectives of the Organization. This results to conflict of interest, thus, poses difficulty in crafting sound strategies as these individuals would want their interests served or given priorities over the rest.

Furthermore, on the question of how customers' and market expectations affect strategy formulation, the interviewees denoted that market liberalization in the motor industry has posed a lot many challenges. From vehicle parts perspective, the interviewees pointed out that a lot of counterfeit after sales services have flooded the market. These counterfeit parts are offered at extremely cheaper prices compared to genuine ones that Simba trades in. This directly affects the Company strategy especially on revenue generation and targets realization. Since the market is generally price sensitive, the Company is pushed to bend its strategies from time to time to be relevant to customers. Similarly, such products are not only cheaper but they are confusing and deceiving as well to customers. This, again, calls upon the Company to revise its marketing strategies and campaigns in order to counter such unhealthy competition. This act is very expensive and time consuming to the Company.

Still on market liberalization, the respondents further revealed that several customers and car bazaar operators have could ship into the country both MMC and MFTBC vehicles and trucks respectively at cheaper prices. The danger, however, has always been such vehicles are often Direct Imports and not General Imports which is ideally meant for the Kenyan and East African markets according to Mitsubishi standards. Based on this, challenges come in different angles, first the prices for new units are compromised, and second, availability of vehicle parts is always at stake since the Company is not allowed

to stock Direct Imports vehicle parts. Thirdly, the customer service often times register a lot of complaints from customers due to delays in the event such vehicles are driven into the Company's workshop. All these factors affect Simba's strategy formulation as the same are not well defined how the Company should deal with.

From operational front, the interviewees denoted frequency of change in vehicle models as one major challenge. Even though the same is looked at as milestone to meeting ever changing market and customers' demands, it affects the strategic planning of the Company. With such frequent inventions, some happens so fast even before strategies of the previous models are fully rolled into the market. The net effect, therefore, is that the previous models are either rendered obsolete or the Company is forced to lower their prices to aid sales which often result to losses.

Resistance to change and opposition from both within and outside the Company was another challenge experienced in strategy formulation. The interviewees indicated that the evident existence of two broad groups - the young/new and the old teams within the Company had contributed to this. With the new team being proactive to try new ways and introduce newer things, the old team on the other side prefers status quo. This delays the formulation process as a result of either sabotage or slow pace by other sections of the Company or departments.

The interviewees further indicated that an ideological difference is another major challenge. Since formulation is done by a group which ideally is good for more idea generation, it equally comes with a considerable measure of challenge. The respondents noted that it often leads to lengthy discussions which may not be necessary, hence time

consuming. In the same breath; individuals may opt to be less committed to the formulation exercise in the event that their ideas are not adopted. Worst of all, a time, it leads to prolonged grudges among individuals within the Companythe interviewees, further, noted.

The interviewees also highlighted the challenge of leadership whereby the people that held top positions either had poor leadership skills or did not just offer adequate and necessary support towards strategy formulation. The interviewees further indicated that formulation teams in most circumstances endeavour to create the Organization, distinctive and identify major success influencers that will drive exceptional performance, but this may not materialize a time due to lack of support from various levels and sections of Management.

The interviewees also pointed out that communication is very vital in the formulation of any strategy. They indicated that where proper communication was done, formulation was much more efficient than where the same was lacking or improper. The respondents indicated that communication was done through various ways which included; company e-mails, departmental briefings by managers, monthly meetings and internal trainings and internal memos. The interviewees did also indicate that strategy document proposals were not only complex to understand but difficult also. Even though the same were availed to the staff, the employees did not own the strategy as they felt that it was being imposed on them hence the need to use a simple, and understandable language to convey the strategy proposals so that it is well understood by all to create a shared common vision and goal.

With regards to employees' involvement in the formulation exercise, the interviewees denoted that junior employees are never involved in the exercise and their opinion is never sought either. One of the interviewees cited that this is on the assumption that their respective line managers are tasked with the responsibility of communicating to them whatever the Company intends to pursue or implement. It is, however, looked at as a challenge in the sense that several basic information that may influence decision making regarding operations are missed. Similarly, these junior employees may be of help in terms of idea generation and different approaches to issues.

The interviewees did note that time allocation is one of the major challenges in strategy formulation. Time being undervalued and, therefore, majority of the formulation team have a timeframe that is merely an estimation due to the occurrence of unanticipated developments. According to some interviewees, the Company experiences delays by external stakeholders in giving the necessary support in time. Equally, the time required to gather data for informed decision making is often very limited.

The interviewees did attest that some aspects of organization; culture and structure affected strategy formulation. The Company is made up of staff who have worked for period ranging from 1 year to 35 years with majority falling between 10 - 35 years. Definite shared culture, thence, exists in terms of an understanding of how things are done within the Company. Some staff tend to be over comfortable at work and lacked the vigour to operate effectively towards required goals. In view of this, quite a number of employees, managers included are in most cases reluctant to adopt the change. As a result, such people tend to be resistant to change thereby derailing and slowing down the adoption and strategy formulation processes.

It is important for an entity to know its boundaries and limits of operation so as to enable it develop appropriate strategies suitable for its purpose. When asked whether ethics and CSR posed challenges to strategy formulation, most interviewees conceded that, yes, these pose major challenges. The interviewees indicated that, ethics restricts the Company to certain business practices and so is CSR. To some extent, the global pressure on companies' participation on CSR activities calls upon Simba to consider and give provisions in its budget for such activities.

Globalization is very real. To that end, therefore, it has brought about competition right to the doorstep of the local companies or players. Interviewees did indicate that international vehicle brands from all over the world are already clamouring for the Kenyan market. The respondents did cite numerous brands from as far as UK, US, Sweden, Germany, Japan, and even China that have come to pitch tent through agents and online dealers and actively market and sell these brands. It was noted that potential customers are showing great interest in importing these vehicles as the act may be way cheaper than buying vehicles locally from the showrooms. Therefore, in designing strategies, the teams find it not only challenging but difficult also to effectively tackle the globalization effect.

According to the interviewees, lack of adequate resources be it financial, technological or even human capital is a great hindrance to successful strategy formulation. Hitt et al (2005), described resources in three categories: “physical, human and organizational capital which includes capital equipment, the skills of individual employees, patents, finances and talented managers”. Resources alone are not sufficient for competitive advantage, however, when the set of resources perform tasks in a centripetal fashion, then,

they make the organization's potential and competency. According to Hitt et al (2005), an organization's unique resources and capabilities provide the bases for a strategy. Similarly, (Wernerfelt 1984) in his RBV theory argued that resources are key to superior firm performance and attainment of SCA.

The study, thus, established that there is a very close relationship between the various activities to be undertaken in formulating strategies and the resources required - both financial and human resources. In view of this, the interviewees painfully noted that the rate of human resources turnover at Simba Corp especially in some departments was also alarming as one of the major factors that contribute to the Company's lacking adequate resources in strategy formulation. The Company occasionally loses employees instrumental in formulation process to competitors an interviewee further lamented. This may happen at critical stages thereby affecting the overall formulation in the long run.

4.5 Discussion

All through the interviews, it was noted that the Company was distinctively and visibly steered towards strategic direction by its Management. The interviewees further pointed out that some policies in Simba acted as hurdles towards effective formulation process. The prevailing market forces and ever growing and changing customers' demands were also cited to be influencing factors causing hindrance to strategy formulation.

The study noted that Simba Corporation Limited faces various challenges arising out of external environment leading to competition. The study identified stiff competition from other players within the industry, car bazaars, motor agents and online dealers or exporters that have risen as a result of globalization. This has since led to intense business

rivalry calling for proper strategy formulation to counter the same as the competitors are seeking to increase their sales and vehicles models on the Kenyan roads. This is very consistent with the theory advocated for by Porter (1998) which has since identified jostling for buyer patronage among competing players as one of the forces of the five forces model that is indeed characterized by various competitors of relatively equal size, low entry and exit barriers and competitive advantage based on price among others.

The study also identified price sensitivity of customers as another challenge posed by market liberalization within the industry. Availability of counterfeit after sales services, direct import vehicles at relatively cheaper prices as well as greater access to market information regarding Mitsubishi vehicles play a big role here. This is indeed in line with material from Pierce and Robinson (1997) who did assert that well-informed customers are most likely to shop for friendly prices and are ever sure to find substitute vendors to deliver the same goods and services according to their needs and demands.

From the study, it is also evident that Simba Corporation Limited is having difficulties in retaining its employees based on various reasons. It was noted that the Company sometimes loses its key employees to the competitors some of whom leave when formulation process is at critical stages. These employees are often leaving in such of greener pastures, better working environment, lucrative systems and approaches not forgetting employee poaching. This is indeed very much in line with observations made by Thompson et al (2004) who did argue that changing individual concerns, attitudes, and lifestyles alter the model of competition targeted to the new trends alongside conditions.

Simba Corporation Limited case study has since shown that resource constraints do compromise the ability of the Organization to formulate strategies. It is a challenge to sufficiently allocate adequate and necessary resources in situational analysis, incentives and information search towards formulation exercise. This conforms with views of Harrison (2003) who stated that firms with strong resources position are more responsive to both new opportunities and threats unlike their rivals suffering from resources constraints.

With regards to advances in communication and technology, it clearly came out that from the interviews; SCL has sophisticated systems and technology. However, the Company has not fully utilized these resources to take advantage of the same in terms of service delivery within their strategies, also bringing about turnaround in terms of operation of functions. Instead, a good number of staff still prefers the old manual ways of either keeping data or processing other information. This is, indeed, so very consistent with Thompson et al (2004) who argued that habitual late moves will many a time finds themselves competing to keep pace with innovative competitors.

The study also discovered that Simba Corporation Limited is reeling from the effects of globalization and competition with rivals across borders. These are perceived to either offer superior or similar product package at cheaper prices. The Company is hence losing both current and potential customers to these other companies or car bazaars operators or vehicle import agents as well as online traders. This is in conformity with Hitt et al (2007) who pointed that globalization has led to better performance levels and buyers will opt to seek product and services from these global competitors instead of doing so from domestic companies.

Based on the study findings, therefore, it is depicted that several observations and outcomes are in line with studies from various authors. Regarding the challenges on strategy formulation, the study conforms to Kithinji (2014) who found similar challenges in strategy formulation and implementation at Achelis Kenya Limited. Other scholars who have identified similar challenges in strategy formulation are Sylvia (2011) who established factors influencing strategy formulation and Implementation of Biblica Africa in Kenya. Strategy formulation process has been studied by Njeru (2014) who identified various challenges faced by Public Secondary Schools in Embu County, Kenya. The analysis of factors influencing formulation of strategic plans has also been studied by Njagi & Muchemi (2013) they pointed out similar challenges in Embu North District, Embu County, Kenya. It is, therefore, clear to conclude that the findings of the study were clearly in conformity with the aforementioned scholarly findings.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study set out to establish the process and challenges of strategy formulation at Simba Corporation Limited, Kenya. This chapter outlines a summary of the study findings where the main objectives were to determine process adopted by SCL in strategy formulation and the challenges the Company faces in the same. The chapter also presents the conclusion and recommendations of this case study. In addition, it further discusses the limitations of the study and recommendations for further research. The study made use of both primary and secondary data. The former was realized through personal interviews whereas the latter was gathered through Company's quarterly reports, publications and Company website.

5.2 Summary

The study revealed that since Simba Corp was established, it has formulated various strategies. These have managed to place it as one of the major market players in the competitive motor industry despite market liberalization and entry of new players in this sector. There were several challenges encountered by the Company when it came to strategy formulation. Similarly, a lot were also unpacked regarding process of strategy formulation within Simba Corp.

On strategy formulation process, it was established that Simba does not have a set standard or procedure it applies in formulating its strategies. However, the Company has strategic direction and plans guiding its operations and businesses. These are not only championed by managers but also the Company's Directors taking keen interest and roles on the overall strategies of the Company. In view of this, it was clearly depicted that there are certain critical factors the Company looks at and puts under consideration in order to guide and direct its strategic choices in the process.

As a Company, Simba is presented with various interested groups. At the same time, the Company is confronted with varying factors and forces seeking to influence the nature and types of its strategic choices, all emanating from both within and outside the Organization's environment. The study looked at these carefully through a comprehensive situational analysis in two fronts namely; the external and internal environments. The former comprised of external stakeholders, market forces, and the Government among others while the latter consisted of organizational purpose, culture, ethics and CSR, Management support, communication, technology and other internal competencies.

On the challenges that Simba Corp is facing in strategy formulation, the study did reveal that various challenges are experienced in formulating strategies within the automobile sector in Kenyan economy with latest being globalization and market liberalization. The duohave led to fierce rivalry since they aggressively divide the market share among new entrants and the already established companies within the industry. This calls for identification and formulation of unique strategies to counter such in the chaotic automotive business environment. Due to both globalization and market liberalization, it has become increasingly difficult for the Company to craft strategies geared towards

dealing with such challenges. These developments are beyond Simba's control, and since both customers and market at large are very price sensitive, globalization and market liberalization continues to enjoy market forces backing.

The second major challenge identified was resistance to change coupled with deep rooted organization culture. Several reasons can be attributed to this including but not limited to; fear of the unknown, inability to try newer things, contentment with status quo, power play by the incumbents, imitation of processes from other players, slow pace of adopting to changing business and market needs and the major one being existence of two broad camps - the old and the young generations within the Company. All these have not only slowed down the pace of strategies adoption but also led to sabotage of some of the lucrative and most viable opportunities for the Company.

When it comes to vehicle models and after sales services, the Company suffers major blows in a number of occasions. Simba does not have the control over the speed at which the parent company remodels and introduces new vehicle models in the market. Ideally, in keeping with market demands and standards, this quick invention is needed to meet market expectations. On the contrary, however, Simba as a franchisee is left on the spotlight as to which marketing mix to employ in order to market the old or previous models above the new ones. Similarly, the Company cannot control the vice of counterfeit after sales services commonly known as spare parts in the market. All these negatively affect the Company's marketing strategies, and revenue targets thereby calling upon constant reviews and redesigning of the same with a view of remaining relevant in the industry.

5.3 Conclusion

Having been in existence for several years, Simba has, without doubt, proven to have the capacity to withstand the test of time. Nonetheless, the challenges keep changing from time to time and it is, therefore, imperative for the Company to also change, formulating newer strategies so as to sufficiently adapt to the ever increasingly dynamic automobile industry environment. To this regard, therefore, the study has a number of conclusions.

First, Strategy formulation is very vital for the functioning of any organization. It is a progressing endeavour due to the dynamism in the business realm which has, further, been intricated by globalization and market liberalization. Organizations are, thus, required to continually improve their skills and techniques in strategy formulation. Consequently, organizations are encouraged to embrace change management that comes hand in hand with strategy formulation in order to maintain their relevance.

Since strategy formulation process is an uphill task, it usually calls for much more energy, resources, commitment and time for its fruition. The approach to strategy formulation should inspire the employees to perform rather than deterring them. The management, therefore, should ensure that the strategies which they seek to put in place are inspirational and motivational as well. The manner of communicating the same both at proposal and formulation stages is so crucial to the achievement of the intended strategy. Therefore, inclusivity and feedback should be embraced regularly so as to ensure more idea generation and owning up of the process which are great ingredients in formulation realm.

The Company's Management should put in place mechanisms geared towards addressing the factors hindering strategy formulation and pace thereto. The major challenges encountered in the process of strategy formulation are; frequency in change of vehicle models, mass availability of counterfeit vehicle parts, resistance to change, insufficient resources, lack of ownership of the strategic plan, high employee turnover, inadequate communication channels, deep rooted culture, conflict of interest, and ideological differences among others.

Despite these many and more possible challenges that can face the Company in formulating its strategy, an organization should be flexible in nature to rapidly adjust to environmental changes as and when need be. The Organization should also strive to retain its key and qualified staff as they are instrumental in keeping the company on track in realizing its objective. This can be achieved through provision of adequate training and development programs, good working conditions and competitive remuneration packages. Most importantly, recognizing and rewarding innovative and creative efforts which are in conformity with strategy formulation.

5.4 Recommendations

Based on the study findings, discussion and conclusion, the researcher makes the following recommendations: -

5.4.1 Implications for Theory

In different ways, the findings of this study indeed contribute to the theory and knowledge. First, it depicts the significance of organization's need to be fully aware of operational environment in order to enable it craft appropriate strategies that undoubtedly

exploit the opportunities at the same time cushioning it against potential threats and challenges. In this case study, the challenges conspicuously pointed out are external environment, stakeholders, conflict of interest, rapid vehicle innovation, market liberalization, globalization, resistance to change, deep rooted organizational culture, Government and legislation among others. The study further reveals the need for organization to ensure they fully protect the resources, systems, and processes that accord them SCA as affirmed by RBV.

In addition, the study did emphasize the importance of spotting the right mix of strategies that would affirm that an organization is capable of retaining its key employees especially those tasked with strategy related duties. It further calls for organizations to have appropriate and well defined objectives and purpose both at various SBUs and Company as a whole to aid proper formulation platform. Moreover, it is equally important for management to allocate and assign adequate resources so as to ensure that the organization can come up with strongly crafted strategies against its competitors in the industry.

5.4.2 Implications for Managerial Policy

According to (Barney 2007), both top and line managers in organizations are mostly tasked with the responsibility of analysing organization's environment unpacking firms' strengths and weakness and formulating strategies that not only takes advantage of its capabilities but also maximizes its value. Managers should, therefore, closely monitor factors affecting them and find creative and innovative ways through strategy formulation for better firms' performance, survival and growth.

Formulation of strategy should not be looked at as a one-off exercise. It is, whence, important that management inculcated a practice of regular brainstorming and idea generation to match the ever-changing environment throughout the lifespan as part of strategic planning process. The study also recommends that representatives of all cadres of employees be engaged in one way or the other in strategy formulation activity in order to ensure the process is owned up by everyone rather than a section. This would help in looking at the same as an organizational issue rather than a management issue.

5.4.3 Implications for Managerial Practice

Although Simba has several strong strategies that have seen it survive in the automobile industry, it does not however, seem to have fully utilized the immense opportunities at its disposal to outsmart other players to claim market leadership in proactive approach to strategies. It, instead, relies on what its competitors are doing leaving its resources like advanced technology and systems underutilized. The management must strive to critically evaluate its internal and external environments and how these influences effective and sound strategy formulation.

Furthermore, it is imperative for the Company to also evaluate its strategic plan and amend them accordingly to put into consideration the emergent and current issues revolving around globalization, and market liberalization to address the challenges posed by the same such as shrinking market share for instance. The Management also need to put in place clear-cut and prudent procedure for strategy formulation which is very crucial in making sure the Company remains ahead of its rivals in terms of creativity and innovation of processes.

5.5 Limitations of the Study

The study suffered some challenges which did limit its findings on the scope of application. First, the study only focused on an aspect of strategic management process - Strategy Formulation. Therefore, it did not cover other spheres such as Implementation, Control, Monitoring and Evaluation. These are equally important components of the bigger picture, and should not in any way be ignored.

Secondly, the study was conducted entirely on one player in the automotive industry. Even though players in this industry are subject to same industry forces, each company has their own unique ways besides competencies and processes that would call on them to formulate strategies differently in response to environmental pressures. This may, hence, limit the use of the findings to various motor companies. Equally, since, the study was based on one industry environment - automobile, its findings may not be applicable to other sectors of the economy.

On the same breath, the study focused on interviews with part of the Management of the Company for purpose of data collection. This typically locked out other people with deeper knowledge and experience. It would have been of greater value to obtain the views and concerns of the Company's customers, and other stakeholders as well as other employees for comprehensive findings. A larger sample, to that regard, would have assured more representative information on employees' views on process and challenges of strategy formulation.

5.6 Suggestions for further research

In as much as the study had in depth coverage, still, there are gaps that other researchers can be presented with for exploration. This study was confined to SCL which is only one player in the entire motor industry in Kenya. Need to carry out industry wide study is hence instrumental and viable. The study should be replicated in other players in the motor industry and the results compared with a view to establish whether there is a consistency on the process and challenges in strategy formulation among the players.

Further, the research did not emphasize on how successful Simba was in formulating its strategies since the Company was not comparing itself against any touchstone but was more concerned with achieving its set targets, goals and objectives. Therefore, a study can be done in order to come up with a yardstick against which the Company can benchmark its success on strategy formulation, more preferably with market leaders like GMEA, CMC & Toyota EA.

Similarly, further research could be carried out regarding globalization and market liberalization with focus on strategy formulation challenges experienced by players from international scene such as vehicle importers, online vehicle & vehicle parts traders and agents in countering local companies like Simba among others.

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APPENDICES

Appendix I: Letter of Introduction

Nyabinda Reinhard Bonnke

P. O. Box 7855 - 00200

Nairobi.

To Whom It May Concern

Dear Sir/Madam,

RE: RESEARCH INTERVIEW

I am a postgraduate student at The University of Nairobi, pursuing MBA in Strategic Management. In partial fulfilment of the course; I am conducting a research titled: *“Process and Challenges of Strategy Formulation”*.

It is towards this noble course that your Organization has been selected to be instrumental in successful completion of the same. It is to this regard, therefore, that I am writing to seek your kind audience in answering a few questions regarding the topic of the study.

The information requested for will be treated with utmost confidentiality and purely for academic purposes, and shall not be disclosed to any other party whatsoever. Your cooperation will be highly appreciated. The findings of this study can be provided to you upon request through my personal e-mail address: nyabinda.reinhard92@gmail.com

Yours faithfully,

Nyabinda Reinhard Bonnke

(Researcher)

Appendix II: Interview Guide

Interview Time Period 10 - 15 Minutes

Dear Respondent,

This interview guide has been, specifically, designed to collect research information from Simba Corporation Limited Kenya, and it is meant for academic purposes only. Please accord the researcher due assistance by responding to the questions herein. All the information provided will be treated with utmost confidentiality.

QUESTIONS

Section I: General Information

1. How long have you been working at Simba Corporation?
2. What is your current designation at Simba Corporation Limited?

Section II: Strategy Formulation Process

1. Who are the parties involved in the formulation process and why?
2. How does the Company define its Organizational purpose-its Mission, Vision statements and core values?
3. How does the Company define its profile?
4. How does situational or environment analysis play role in the formulation process?
5. How does the Company's strategic capability influence strategy formulation?
6. Who are the external stakeholders regarded critical in the formulation process and how do they play part in the formulation exercise?

7. What roles do the Government and legislation play in the formulation process?
8. To what extent does culture and historical influences contribute to strategy formulation?
9. In what manner do ethics and social responsibility influence strategic choices?
10. How does technological advancement play role in crafting strategies?
11. What contributions do top and other levels of management give towards formulation of strategies?
12. How effective is communication in the coming up of new strategies?
13. How often does the Company review and evaluate its strategies?
14. Are there any other activities worth noting that you look at in the formulation process?

Section III: Strategy Formulation Challenges

1. How does the external environment and situational analysis affect strategy formulation?
2. How do external stakeholders pose challenges to the formulation of strategies?
3. How does Government and legislation affect new strategy generation process?
4. How does conflict of interest from both within and outside the Company influence strategy formulation?
5. How do customers' and markets' expectations affect strategy formulation?
6. How does change and advancement in vehicle models affect your strategies?
7. How does market liberalization pose challenge to the Company in terms of crafting strategies?

8. How does resistance to change and opposition from both internal and external parties affect the process?
9. How do individuals' ideological differences affect strategy formulation?
10. How sufficient is top and other levels of management's support in the formulation process?
11. How does communication pose challenge to strategy formulation exercise?
12. How does employee involvement affect strategy formulation?
13. Does time allocated for strategy development sufficient for the exercise?
14. How does culture and organizational practices pose challenge to formulation?
15. To what extent does ethics and social responsibility affect strategy formulation?
16. Any other challenges the Company faces in strategy formulation?

THANK YOU FOR YOUR TIME AND PARTICIPATION!

Appendix III: Introduction Letter from the University



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 17/05/2016

TO WHOM IT MAY CONCERN

The bearer of this letter NYABINDA REINHARD BONNKE

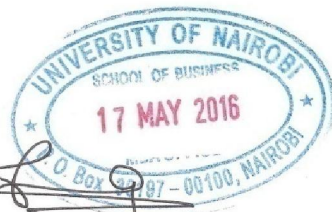
Registration No. 061/74514/2014


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
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix IV: Simba Corporation Branches across the Country

1. Simba Corporation Limited - Head Office, Mombasa Road Nairobi
2. Simba Corporation Limited - Mombasa Branch, Swaleh Nguru Road
3. Simba Corporation Limited - Kisumu Branch, Obote Road
4. Simba Corporation Limited - Truck & Bus Facilities, Shimo la Tewa Road, Nairobi
5. Simba Corporation Limited - Kisii Branch, Kisii-Kisumu Junction, Kisii Town

Source: Simba Corporation Limited, Kenya 2016

Appendix V: Simba Corporation Dealers Network across the Country

1. Multiline Agencies, Baricho Road, Nairobi
2. Automobile Warehouse, Old Nairobi Road, Nakuru
3. Crater Automobiles, Nakuru - Kisumu Road, Nakuru
4. Crater Automobiles, Mombasa Road, Nairobi
5. Nyeri Motors, Nyeri Town

Source: Simba Corporation Limited, Kenya 2016

Appendix VI: Simba Corporation Stockists Network

1. Cosmos Auto Spares, Kirinyaga Road, Nairobi
2. Motech Agencies, Kirinyaga Road, Nairobi
3. Rising Sun Spares, Kirinyaga Road, Nairobi
4. Al Habtoor Spares, Kirinyaga Road, Nairobi
5. Hansels Auto Spares, Kirinyaga Road, Nairobi

Source: Simba Corporation Limited, Kenya 2016