

**" STRATEGIC RESPONSES BY SCHINDLER
KENYA LIMITED TO THE CHANGES IN THE
ENVIRONMENT "**

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
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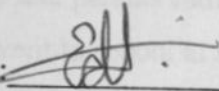


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DECLARATION

This project is my original work and has not been submitted for a degree in any other university.

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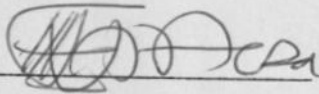
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DEDICATION

This study is dedicated to my dear husband Njogu and loving children Michael, Albert and Eugene. I am indebted and full of gratitude for their support, prayers and encouragement during the MBA programme.

To my late parents James and Margaret Gitau Muniu who brought me up and ensured that I went to school at a very early age, guided and taught me the values in life which I strongly hold up till today.

To the lecturers in the department of Business Administration for the knowledge they too imparted in me during the programme.

To my fellow students, Mary and others for the encouragement, time spent together for group discussions and assignments, for the experiences shared, you were all a blessing to me.

Special thanks to Mr. Keith Bush and Mr. Dennis Opperman you taught me humility and made my dream come true. Thanks to staff members of School of Kenya for their kind support, time and contribution towards this study. I salute you all.

To all those who contributed in one way or the other in completion of this study, I salute you and thank you very much. I am ever grateful.

Last but not least I wish to convey my special and sincere heartfelt gratitude to my loving husband Njogu who has been by my side throughout the whole period, who provided financial and moral support and rose up as a champion when I was stressed. To my children Michael, Albert and Eugene for bearing with me when I was away, for their prayers, encouragement and support may the almighty bless you and may all the right doors for you and may his grace and mercies follow you all the days of your lives.

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I am most humbled by the grace and mercies of my maker who has enabled me to go through the MBA programme. To him I give all the glory and honour because without him I would not have come this far.

My sincere thanks to my Supervisor Prof. Evans Aosa whose lectures and teachings in strategic management have been a blessing to me in many ways. I am indebted for his limitless support, guidance and his time to make sure that I complete this project to the acceptable standards. Thanks to the other lecturers in the department of Business Administration for the knowledge they too imparted in me during the programme.

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A case study on Schindler Kenya was carried out by interviewing staff from various departments of the company. Primary data was collected using an interview guide. Content analysis was then used to analyse the in-depth qualitative data that was collected.

From this case study carried out on Schindler Kenya, which is one of the leading elevator companies in Kenya, it is apparent that the company is operating in a dynamic business environment which poses many challenges. Some of these include, increased competition, advanced technology, changes in government policies and political system, market liberalisation and changed customer.

The study confirmed that Schindler Kenya has been affected by the changes in the environment and has responded to the challenges by taking various measures. The company is more aggressive in its sales department, there is more emphasis on product innovation, customer service, introduction of new products, re-branding and re-orientation of its code of conduct.

The study also concluded that the company needs to respond adequately to its changing business environment by focusing on innovation and customer service. The advancement in technology and competition has forced the company to invest in research and development. A shift in strategy from customer service to product innovation and customer service is needed to ensure the company remains competitive in the market. The study also identified the need for the company to invest in employee training and development to ensure that the company remains competitive in the market.

ABSTRACT

Organizations are environment dependent (Ansoff and McDonell, 1990) hence their interaction with environmental factors is essential for survival. For an organization to be able to retain competitive advantage, it needs to examine its environment both external and internal and respond accordingly.

This study was about the strategic responses that Schindler Kenya has adopted towards the changes in the business environment. The objective was to establish the challenges posed by the changes in the environment and documenting how Schindler has responded to these changes.

A case study on Schindler Kenya was carried out by interviewing staff from various departments of the company. Primary data was collected using an interview guide. Content analysis was then used to analyse the in-depth qualitative data that was collected.

From this case study carried out on Schindler Kenya, which is one of the leading elevator companies in Kenya, it is apparent that the company is operating in a dynamic business environment which poses many challenges. Some of these include, increased competition, advanced technology, changes in government policies and political system, market liberalization and changed customers.

The study confirmed that Schindler Kenya has been affected by the changes in the environment and has responded to the challenges by taking various measures. The company is more aggressive in its sales department; there is more emphasis in pro-activity in response to customer concerns, innovations of new products, re-branding and enforcement of its code of conduct.

The study also revealed that the company needs to respond adequately to its training requirements. The advancement in technology of elevators and sophisticated computer systems has placed additional employee-training demands. A skill development programme that enhances skills in tandem with advancement of elevator technology is of great importance.

The limitation of the study is that generalization is not possible since this was a case study on Schindler Kenya and therefore the findings may not apply to other firms. It was also not possible to get accurate data regarding the elevator industry and individual firms in Kenya from the relevant authorities since there has not been any study in this area.

It is recommended that further studies be carried out in the elevator industry in Kenya. A similar study can also be carried out to find out how other elevator companies in the market are responding to the environmental changes.

CHAPTER 1 - INTRODUCTION

1.1 Background

1.1.1 Organizations and the Environment

As Porter (1985) put it, the success of every organization is determined by its responsiveness to the environment. For an organization to be able to retain competitive advantage, it needs to examine its environment both external and internal and respond accordingly.

Strategy has been defined as the direction and scope of an organization over the long term, which achieves advantage in a changing environment. This is done through its configuration of resources and competences with the aim of fulfilling stake holder expectations (Johnson, Scholes & Whittington, 2006).

Managers in the private or public sector have to understand and make sense of the uncertain world in which their organizations operate because organizations do not operate in a vacuum. Organizations are environment dependent (Ansoff and McDonnell, 1990). Managers have been told that they must be effective strategists if their organizations are to fulfil their missions and satisfy their constituents. It is also essential that organizations be able to quickly and strategically place themselves to minimize the effects of negative events and to take advantage of opportunities (Vinzant and Vinzant, 1996).

According to Porter (1985) organizations obtain their inputs from the environment and after transformation they discharge their outputs into the same environment. This environment is composed of political, legal, economic, social, technological, customer and competitive factors. Many changes have taken place within the last ten to fifteen years. For instance, technology developments such as information technology have changed the nature of work in all most all organizations. Changes in these various factors have in turn affected the competitive environment in which organizations operate. The social and economic factors have also changed with the opening up of world markets and the onset of liberalization, where customer needs and preferences

have become more similar. An organization's interaction with such environmental factors is therefore essential for survival. This implies that an organization has to find and obtain needed resources, interpret and act on the environmental changes, dispose of outputs, control and co-ordinate internal activities in the face of environmental turbulence and uncertainty if it is to be effective.

According to Pearce and Robinson (1991) strategic response is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. For an organization to be successful it must be able to develop strategies to plan, direct and control change.

1.1.2 The Elevator Industry in Kenya

An elevator is a transport device used to move goods or people vertically. Primitive elevators were in use as early as the 3rd century BC, operated by human, animal, or water wheel power. From the middle of the 19th century, power elevators, often steam-operated, were used for conveying materials in factories, mines, and warehouses. In mid 1850's Mr. Elisha G. Otis invented a braking system to prevent the car from sliding down if the tension that holds the car up was released. This invention allowed sufficient confidence for the mechanism to be used in buildings for hoisting people. The first use of a lift in a public building happened in 1857 in the city of New York. These early lifts were driven by steam power. For about 30 years, various improvements continued to happen on these lifts and in 1889 the first electrically powered lift was used in New York again (<http://inventors.about.com>).

Ever since Elisha Otis's invention it has become almost mandatory for people operating in tall buildings to use elevators. It is also a determining factor for potential tenants and occupants when moving into a building since it affects their business (Kamweru, 1994).

With the increased number of storey buildings being built in Kenyan cities to cater for the rapid rural urban migration and the need for skyscrapers due to limited land space, the elevator service is gaining prominence in Kenya. The elevator has also become a

requirement in new buildings with multiple floors because of wheel chair and less fortunate members of society access law. The total number of elevators installed in buildings in Kenya today is about one thousand five hundred.

The fundamental changes that have taken place in the Kenyan business environment include political, economical, technological, environmental and social. Major political events have taken place recently including fall of Kenya African National Union (KANU) government and change to a new government coalition after forty years of rule. The formation of government in Southern Sudan in 2005, and the revival of the East African Community have also brought changes in the business environment.

The industry has encountered a rise in competition with the on set of liberalization which has enabled the emergence of many private service companies in the country. Currently there are ten elevator companies offering service and products of the same nature. These include Otis, Marryat and Scott, Schindler, Mits Electrical, Elevonic Lifts, Nairobi Elevators, Elevation World, Ultra Electric, V-technologies, AJE Elevator Company and Kenya Lift Company. There are also about the same number of individuals carrying out elevator services privately. These companies operate in almost all the urban centres in Kenya where new buildings with multiple floors are being constructed. They install and maintain elevators in all kinds of buildings, including residential, commercial, low-rise and high-rise buildings. Elevator business is parasitical to construction activity in general which implies that when new office buildings, hotels, hospitals and other commercial and residential buildings go up, as they have lately, then the industry thrives.

However, the elevator industry like any other industry in Kenya has been affected by the challenges posed by the environment under which they operate. There have been obvious changes in the elevator industry such as complex structures of upcoming buildings; advancement in technology of elevators and sophisticated computer systems that has placed additional employee-training demands, liberalization of the Kenyan market which has led to new entrants and increased competition, and changes in the economic environment such as inflation. Customers have also become more knowledgeable and more demanding since they now have a wider choice to select from posing a challenge to the firms in the industry.

Schindler Limited (Kenya) is one of the organizations in the Kenyan business environment whose success and survival is dependent on the extent to which it is able to respond to a turbulent changing environment.

1.1.3 Schindler Elevator Company Limited

Schindler is a world producer of escalators and elevators with more than one hundred national companies and over one thousand local branches worldwide. The company was founded in Switzerland in 1874, by Robert Schindler and Eduard Villiger. The company's world headquarters are located just outside Lucerne. Schindler designs, manufactures, installs maintains and modernizes internal transport systems for every type of building requirements worldwide (<http://www.schindler.com/>).

Schindler Kenya Limited is part of the Schindler group serving the Eastern Africa region. The main activities and functions include the supply, installation and maintenance of goods/passenger lifts, panoramic lifts and escalators since 1972. At this time there were only two other elevator companies namely, Otis and Marryat and Scott. Otis was the first multinational elevator company in Kenya in the 1950's. Currently Schindler Kenya has a customer base of about two hundred and twenty and has installed about five hundred elevators countrywide.

In the last ten to fifteen years, Schindler has had to deal with an increasing number of changes in the environment which has posed major threats or opportunities. These include advancement in technology of elevators, liberalization of the Kenyan market which has led to new entrants and increased competition, changed customer demands and needs while change in the economic environment such as inflation has increased the cost of doing business.

All these environmental changes in the elevator industry have had an impact on Schindler's competitive position in the market. Survival and success of Schindler as a company to these changes in the environment will depend on how it strategically responds to these very changes.

1.2 Statement of the Problem

Organizations are environment dependent (Ansoff and McDonell, 1990) hence their interaction with environmental factors is essential for survival. This implies that an organization has to find and obtain needed resources, interpret and act on the environmental changes, dispose of outputs, control and co-ordinate internal activities in the face of environmental turbulence and uncertainty if it is to be effective.

The success and survival of Schindler Kenya in the current business environment will depend on the extent to which it is able to learn, adapt and change. According to Porter (1985), the success of every organization is determined by its responsiveness to the environment. For any organization to be able to retain competitive advantage, it needs to examine its environment both external and internal and respond accordingly (Porter, 1985).

With the increased number of storey buildings being built in Kenyan cities to cater for the rapid rural urban migration and the need for skyscrapers due to limited land space, the elevator service is gaining prominence in Kenya. The industry has also encountered a rise in competition with the on set of liberalization which has enabled the emergence of many private service companies in the country.

There have been obvious changes in the elevator industry such as changed demand and needs of customers, complex structures of upcoming buildings, advancement in technology of elevators, liberalization of the Kenyan market which has led to new entrants and increased competition, and also changes in the economic environment such as inflation, among others. All these environmental changes in the elevator industry have had an impact on Schindler's competitive position in the market. These changes in the elevator service industry in Kenya have affected Schindler as a company.

Several studies in a number of industries have been carried out to establish how various organizations respond to changes in the environment. These include Bett (1995), Muturi (2000), Chepkwony (2001), Thiga (2002), Kiptugen (2003), and

Muriuki (2005). The findings of these studies revealed that firms respond differently to changes in the environment to ensure their survival.

However, no study has been carried out to establish the changes in the elevator service industry in Kenya and how firms in the industry have responded to these changes. Schindler is one of the organizations in the industry that has been affected by the changes and is under pressure to respond to this changing environment. How has Schindler responded to these changes?

1.3 Objective of the Study

The objective of the study was to establish the strategic responses by Schindler Elevator Company to the changes in the environment.

1.4 Importance of the study

The study will be invaluable to the following stakeholders. To the firm and its staff, this will be a source of information to evaluate itself as a company and the strategies it has put in place. To the academicians, the study will provide a useful basis upon which further studies in the industry could be conducted. It will also contribute to the existing literature in the area of strategic response that the academicians could use as a basis for further research. To the other players in the industry and other sectors it will be of interest to learn how a firm's responsiveness to changes in the dynamic environment is important and how others handle it.

CHAPTER 2 - LITERATURE REVIEW

2.1 Organizations and the Environment

The speed and extent of the changes which occurred in the twentieth century have required business to be much more adaptable to the changing environment. Some of the pressures for change have resulted from factors such as market liberalization and development of global markets, changed customers who are now more demanding, and are constantly looking for new products, and quick response to their changing needs. In today's environment of diverse turbulence, it is important for managers to have proper strategies in place to ensure the survival of the firm in such an environment.

An organization's ability to cope with a changing environment is probably the most important determinant of its success or failure in a free-enterprise system (Rowe, Mason, Dickel, and Synder, 1989). Grant (1998) advises that the business environment of the firm consists of all external influences that impact a firm's decision and performance.

Rowe, Mason, Dickel and Synder (1989) compared organization's to ecological entities that have mutual relations with other entities in their environment. Like the ecosystems, an organization's environment holds opportunities and threats. Skilful strategic managers find "market niches" in the firm's environment that are particularly well-suited to the products, services, and capabilities the organization has to offer. Successful strategic planning therefore requires careful assessment of the external environment. Environmental assessment enables the organisation to find the best possible niche and decide how it might respond to a range of future environmental conditions.

Environmental assessment is a never ending task for most firms because the environment is continuously changing. Pearce and Robinson (1997) observed that changes in the external environment have an impact on organizations. They described the external environment as all conditions that affect a firms strategic options and or

tactical options, which a firm has little control over. The external environment factors influence an organization's choice of direction and action. It is further categorized as the remote, industry and operating environment. Forces in place are dynamic and include economic, political, technological, competitive and social factors (Kotler and Armstrong, 1990).

Thompson (1998) notes that one of the most valuable resources a company has is the ability to perform a competitively relevant activity very well. He defines a core competence as something a company does well relative to other internal activities. It gives a company competitive capability and thus qualifies as a genuine company strength and resource.

For an organization to survive and prosper it needs to address the challenges of the environment that it faces. In particular it must be capable of delivering against the critical success factors that arise from demands and needs of its customers. The strategic capability to do so is dependent on the resources plus the competence it has. These must reach a threshold level in order for the organization to survive. The further challenge is to achieve competitive advantage. This requires it to have strategic capabilities that its competitors find difficult to imitate or obtain. These could be unique resources but are more likely to be the core competencies of the organization (Johnson, Scholes and Whittington, 2006).

From a strategy-making perspective, a company's resource strengths are significant because they can form the cornerstones of strategy and the basis for creating competitive advantage. If a company does not have ample resources and competitive capabilities around which to craft an attractive strategy, managers need to take decisive remedial action to upgrade existing organizational resources and capabilities and add others.

Treece et al (1997) argue that the organizations routines play a major role in creating dynamic capabilities. The routines provide the ability to build internal and external competencies in order to face rapidly changing environments. Capabilities are embedded in the routines of organizations and are not easily documented as procedures and thus are difficult for competitors to replicate.

According to Ansoff & McDonnell (1990) when a firm's environment moves to a new turbulence level, the responsiveness of the firm's capability to the environment stimuli must also move to a different level. If the capability fails to keep pace with the environment, the firm is in danger of losing its competitive position and becoming unprofitable. Aosa (1998) holds the same view that as the organizations environment changes, it is necessary that the firm continuously adopts its activities and internal configurations to reflect the new external situations; failure to do this endangers the future success of the organization.

Grant (2000) concluded that a successful strategy is consistent with organization's goals and values, external environment, resources and capabilities, and organizational systems. This indicates the fact that the organization depends on the environment for its survival and the responses to the environmental situation will determine its performance. Thus, when there are changes in the environment, the organization's capabilities and strategy would have to be changed in order to ensure a continued "strategic fit".

Mutugi (2006) in her studies found that environmental forces affect the types of products developed, the nature of positioning and market segmentation strategies, the types of services offered, and the choice of business to acquire or sell. That the changes have an influence on the staff, clients, and the institution's portfolio, and can create numerous pressures on institutions trying to maintain or achieve financial and operational self-sufficiency. If ignored, the changes in the environment can ultimately compromise an institution's operations, profitability, and long-term viability.

Mwangi (2006) reiterates that dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive. Failure to effectively adapt the organization to its environment, according to Ansoff and McDonnell (1990), leads to a strategic problem. Such a problem will be evidenced by a mismatch between what the organizations offer and what the market demands.

In the case of Kenya Commercial Bank, Kiptugen, (2003) found the major environmental factors that have impacted on the industry and KCB in particular to be the economic decline, liberalization, legislative changes, increasing level of education, and technological advancements. For KCB to remain a competitively viable force over the long term, it would have to pay more attention to its external environment.

Research therefore has shown that the external environment plays a significant role in the growth and profitability of firms. This implies that Schindler Kenya is not isolated from the effects of the changes in the external environment.

2.2 The Concept of Strategy

The concept of strategy can best be understood by looking at the various definitions of strategy advanced by different authors. According to Hitt, Ireland and Hoskisson (1997) strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage. An effectively formulated strategy marshals, integrates and allocates a firm's resources, capabilities, and competencies so it can cope successfully with its external environment. Aosa (1998) defines strategy as solving a strategic problem, which is a mismatch between internal characteristics of an organization and its external environment.

Pearce and Robinson (1997) defined it as the building of defences against competitive forces, or as the finding of positions in the industry where competitive forces are weakest. Porter (1980) states that strategy is basically about competition and the means by which an organization tries to gain a competitive advantage. Quinn (1980) defines strategy as a plan that puts together an organization's major goals, policies and action sequences. Hill and Jones (2001) add that the strategies an organization pursues have a major impact on its performance relative to its peers.

Porter (1985) argues that a strategy is the organization's route to competitive advantage that will have a bearing on its performance. Hussey (2000) believes that the five elements that are necessary for strategic success include analysis, creative

strategic thinking, strategic decision process, implementation and capabilities of decision leaders. Mintzberg's (1976) notion of strategy is "a pattern in a stream of decisions." He argues that even if a firm cannot name its strategy, the pattern of their decisions over time would define its real strategy.

Ansoff and McDonnell (1990) described strategy as a tool which offers significant help for coping with turbulence confronted by business firms and other organizations. They further added that strategy is a set of decision-making rules for guidance of organizational behaviour and identified four distinct types of such rules namely:

- i. Yardsticks by which the present and future performance of the firm is measured.
- ii. Rules for developing the firm's relationship with its external environment
- iii. Rules for establishing the internal relations and process within the organization
- iv. The rules by which the firm conducts its day-to-day business

According to Johnson and Scholes (1998) strategy is the direction and scope of an organization over the long term. A firm achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations.

Hax and Majluf (1991) defined strategy as a multidimensional concept that embraces all of the critical activities of the firm, providing it with a sense of unity, direction, and purpose, as well as facilitating the necessary changes induced by its environment. The central thrust in strategy is to achieve a long term sustainable advantage over the key competitors of the firm in every business in which it participates.

For a firm to have competitive advantage over its competitors, it has to have a thorough understanding of the external and internal forces that impact the organization. Externally, a firm must identify the industry attractiveness and trends and the characteristics of the major competitors. This generates opportunities and threats to be reckoned with. Internally, a firm must assess its competitive capabilities which produce strengths and weaknesses that have to be further developed and corrected (Hax and Majluf, 1991).

Ansoff and McDonnell (1990) notes that strategy is a very powerful tool for coping with the conditions of change which surround the firm today as it prepares the firm to face its complex external environment, while its corporate capability develops responsiveness to anticipated threats and opportunities. They accordingly advise that strategy aligns organizations with its external environment and seeks to bridge the gap between the current position of the organization to its future intended direction using a set of decision making rules to guide such behaviour.

Strategy is therefore needed for organizations to obtain a viable match between their external environment and their internal capabilities. The role of strategy is not to be viewed as just passively responding to the opportunities and threats presented by the external environment, but as continuously and actively adapting the organization to meet the demands of a changing environment.

2.3 Organizations Strategic Capability

The success of every organization is determined by its responsiveness to the environment. To be able to retain competitive advantage, organizations need to examine their environment both external and internal and respond accordingly (Porter, 1985).

Strategic capability is defined as the adequacy and sustainability of the resources and competences of an organization for it to survive and prosper (Johnson, Scholes and Whittington, 2006). Thompson (1998) notes that one of the most valuable resources a company has is the ability to perform a competitively relevant activity very well. He defines a core competence as something a company does well relative to other internal activities. It gives a company competitive capability and thus qualifies as a genuine company strength and resource. A company can have more than one competence.

A core competence can relate to demonstrated expertise in performing an activity, to a company's scope and depth of technological know-how, or to a combination of specific skills that result in a competitively valuable capability. Typically, core

competences reside in a company's people; they tend to be grounded in skills, knowledge, and capabilities (Thompson, 1998).

For an organization to survive and prosper it needs to address the challenges of the environment that it faces. In particular it must be capable of delivering against the critical success factors that arise from demands and needs of its customers. The strategic capability to do so is dependent on the resources plus the competence it has. These must reach a threshold level in order for the organization to survive. The further challenge is to achieve competitive advantage. This requires it to have strategic capabilities that its competitors find difficult to imitate or obtain. These could be unique resources but are more likely to be the core competencies of the organization (Johnson, Scholes and Whittington, 2006).

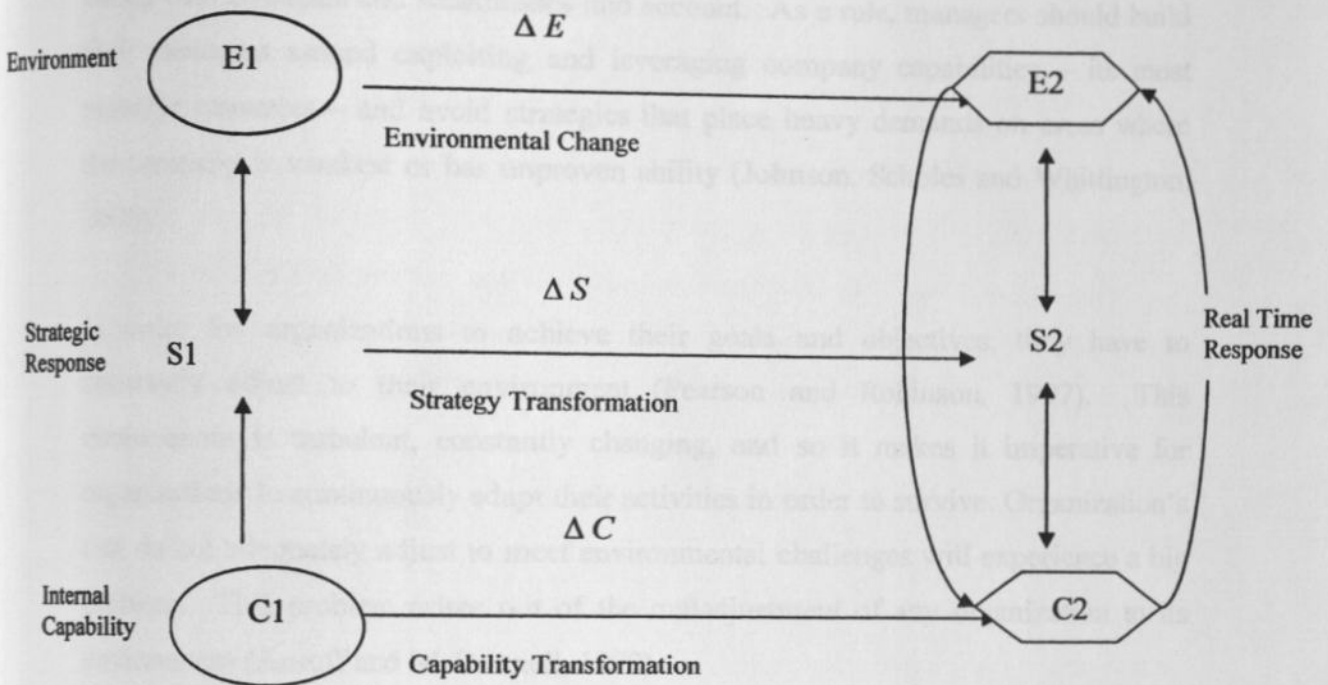
From a strategy-making perspective, a company's resource strengths are significant because they can form the cornerstones of strategy and the basis for creating competitive advantage. If a company does not have ample resources and competitive capabilities around which to craft an attractive strategy, managers need to take decisive remedial action to upgrade existing organizational resources and capabilities and add others.

According to Ansoff & McDonnell (1990), when a firm's environment moves to a new turbulence level, the responsiveness of the firm's capability to the environment stimuli must also move to a different level. If the capability fails to keep pace with the environment, the firm is in danger of losing its competitive position and becoming unprofitable. The figure below illustrates how firms should adapt to the changes in the environment in order to assure success in the transforming future environment.

Source: Ansoff, L. and McDonnell, E. (1990) *Designing Strategic Management*, 2nd Edition, Prentice Hall Books, Page 49

As illustrated in the figure, a change in the environment from environment E1 to E2 requires a change in the firm's strategy from S1 to S2. A change in strategy can only be possible if the organizational capability is changed from capability C1 to C2.

Figure 1 - A Firm's Adaptation to the Changing Environment



The Key to figure 1 is as follows:-

- E1 – Present Environment
- E2 – Future Environment
- ΔE – Change in Environmental Turbulence
- S1 – Present Strategy
- S2 – Future Strategy
- ΔS – Strategic Transformation
- C1 – Present Internal Capability
- C2 – Future Internal Capability
- ΔC – Capability Transformation

Source: Ansoff I. and McDonnell E. (1990) *Implanting Strategic Management*, 2nd Edition, Prentice Hall Europe, Page 40.

As illustrated in the figure, a change in the environment, from environment E1 to E2 requires a change in the firm's strategy from S1 to S2. A change in strategy can only be possible if the organizational capability is changed from capability C1 to C2.

A company's strategy should therefore be tailored to fit its resource capabilities – taking both strengths and weaknesses into account. As a rule, managers should build their strategies around exploiting and leveraging company capabilities – its most valuable resources – and avoid strategies that place heavy demands on areas where the company is weakest or has unproven ability (Johnson, Scholes and Whittington, 2006).

In order for organizations to achieve their goals and objectives, they have to constantly adjust to their environment (Pearson and Robinson, 1997). This environment is turbulent, constantly changing, and so it makes it imperative for organizations to continuously adapt their activities in order to survive. Organizations that do not adequately adjust to meet environmental challenges will experience a big problem. This problem arises out of the maladjustment of any organization to its environment (Ansoff and McDonnell, 1990).

With a well-formulated strategy, Quinn (1980) suggested that an organization will be able to marshal and allocate its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment, and contingent actions by competitors.

2.4 Strategic Responses by Organizations

Organizational responsiveness is the way in which an organization handles change in the environment. Ansoff and McDonnell (1990) described four primary types of responsiveness which serve a distinct goal of the firm namely;

- i. Operating responsiveness which minimizes the operating cost of the firm
- ii. Competitive responsiveness which optimizes the firm's profits
- iii. Innovative responsiveness which develops the firm's near-term profit potential
- iv. Entrepreneurial responsiveness which develops the firm's long-term profit potential

Thompson (1997) defines strategic adaptations as changes that take place over time to the strategies and objectives of an organization. Such change can be gradual or

evolutionary, or more dramatic, even revolutionary. Such responses may take many forms depending on the organizations capability and the environment in which it operates.

Strategic responses can be seen as the matching of the activities of an organization to the environment in which it operates. A strategic response affects the long term direction of an organization and requires large amounts of resources. It is aimed at achieving advantage for the organization and as such it is concerned with the scope of the entire organization's activities (Johnson and Scholes, 1999).

Successful organizations fully continually scan their environment in order to identify future economic, competitive, technological and political discontinuities, which could affect its operations (Ansoff and McDonell, 1990). Studies carried out by researchers in the past have confirmed that firms respond differently to forces in the external environment.

Bett (1995) found out that firms in the dairy industry responded to competition by making adjustments in their marketing mix variables of product, promotion, price and place. Competitive pricing and discounts, product quality and branding, changes in product range differentiation were considered as important for enhancement of customers' perceived value.

Muturi (2000) carried out a research on the strategic responses by firms facing changed competitive conditions with a concentration on the East African Breweries Limited. The East African Breweries responded to threats posed by increased competition by making changes in its product, promotion, cost, market research and adopting competitor analysis and intelligence strategies. Some of the costs and efficiency measures taken up were by use of state-of-the-art equipment and technology. Product differentiation was done through introduction of strong brands and unique brand features.

Chepkwony (2001) studied the strategic responses of petroleum firms in Kenya to challenges of increased competition in the industry. He revealed that the industry players had made various strategic changes in their internal dimensions such as

exploring various market segments not ventured into before, prioritization of goals, improvements in the firms' technologies to make competitive products. Major adjustments were carried out on strategic variables such as product, promotion, social responsibility, process, research and development, and cost structures.

Isaboke (2001) carried out an investigation on the strategic responses by major oil companies in Kenya to the threat of new entrants. He established that majority of the oil companies are using a combination of generic strategies including cost leadership, differentiation, market focus, segmentation, penetration and development of new markets. They also used competitive strategies such as use of convenient stores and restaurant franchises in up-market areas to compete against the new entrants.

Thiga (2002) found that the firms in the aviation industry formed alliances and partnerships so as to globalize their route and earn a competitive edge. All the airlines surveyed had adapted strategies that helped them cope with the changed environmental conditions.

Kiptugen (2003) revealed major factors affecting the banking industry and Kenya Commercial Bank in particular as economic decline, liberalization, legislative changes, increasing level of education and technological advancements. The bank addressed its changing competitive situation by formulating and implementing strategic responses that included restructuring, marketing, information technology and culture change.

Muriuki (2005) observed that Jua Kali artisans had responded to challenges of increased competition by improving on marketing of their products and looking out for new markets. They managed to position their products in hardware and supermarket stores in a bid to increase their sales.

The findings from the above studies confirm that firms respond to and organise themselves to cope with aspects of the external environment that were of particular significance to them.

CHAPTER 3 - RESEARCH METHODOLOGY

3.1 Research Design

This was a case study on Schindler Limited in Kenya aimed at establishing the changes in the environment and documenting the strategic responses to the changes. A case study involves in-depth, contextual analyses of matters (Sekaran, 2006) while Kothari (1990) states that it is a careful and complete observation of a single unit – a person, institution, family, cultural group, or an entire community and emphasizes depth rather than the breadth of a study.

This research design was chosen because the objectives of the study required an in-depth understanding of challenges facing Schindler Limited and the specific strategic responses it has made in the context of its changing competitive environment.

3.2 Data Collection

Primary data was collected using an interview guide and posing of mostly open ended questions. The questions were open and unstructured to allow for greater depth in the responses and were administered through personal interviews of six respondents. The interview covered the following issues; the bio-data of the respondents; the changes in the environment which have had an impact on Schindler Limited and the strategic responses the company has undertaken. This method of data collection through open-ended questions was previously employed in other studies (Kombo 1997, Mpungu 2003, Muriuki 2005, Khamis 2006).

3.3 Data Analysis

Once the responses were received, content analysis was used in analysing the in-depth qualitative data that was collected. This technique was successfully used by other researchers such as Mwanthi 2001, Kandie 2001, Kiptugen 2003, Muriuki 2005 and Khamis 2006.

CHAPTER 4 – DATA ANALYSIS AND FINDINGS

4.1 *Changes and Challenges in the Environment*

There have been various changes in the business environment which have had an effect on Schindler Kenya within the last ten years. There has been an increase in competition with the emergence of new entrants in the Kenyan market and also competition from existing major lift companies. The challenge is that it is now more difficult to retain existing portfolio since the competitors are offering low priced services and products. This has resulted into the service mark up and margins being narrowed to enable the organization to remain competitive in the market. It is also harder to sell units in upcoming projects with a generous mark up therefore reducing the revenues that the sales are able to bring in.

Another change has been the advancement of lift technology including both electrical, electronics and mechanical aspects of the lift. This poses a challenge to the company since it calls for highly qualified electro-mechanical technicians who are able to learn fast and adapt to the changing technology. This in turn leads to high budgetary allocations for training staff and purchase of specialized tools and equipment. Another challenge is that the operating costs increase as most of the training is carried out on the job hence the extra expense of unforeseen breakages and damages of lift parts during the training sessions. Another problem in the technology of the elevators is that in the past they have been manufactured according to the European environment. Challenges such as dust which interfere with normal operation of the equipment or humidity in Mombasa have been affecting the equipment. Cooling systems have to be improvised an extra expense to the client and Schindler while some can not completely be eliminated.

There have been changes in the political system and government policies, which demand that public and private procurement of lifts and services be subjected to competitive tendering. This is a challenge to Schindler Kenya because a client can no longer single source or have a preferred supplier. Most of the transactions are now subject to competition therefore eliminating monopoly and trust. The government has

been a major and very important client of Schindler Kenya but with these changes there is no guarantee of retaining existing jobs while the competitors continue to take over some of the buildings hence affecting Schindler's bottom line negatively.

With the onset of liberalization of the local and foreign markets new challenges have come up. The world has become a small global village. Information is now available to anybody about almost everything due to advanced information technology. This has led to the mushrooming of other service providers including individuals since they can obtain elevator information and spares from any part of the globe. They can also purchase materials and equipment by instant payments through international banks and receive the same through courier service within twenty four to forty eight hours. This poses a bigger challenge to Schindler Kenya because consumers are now more aware of the market, their suppliers and the products. They also have the freedom to choose where they want to buy their products from and at what price.

Like in any economy, customers have become more knowledgeable and are more aware of their rights. This is a challenge since they are demanding for higher levels of service, advanced equipment with the latest features which are also energy efficient and with aesthetic appeal. Since the customers have a wider choice and competition is intense the challenge is that Schindler Kenya should develop more affordable products and improve on service delivery in terms of response time and providing superior services than its competitors. It needs to pay greater attention to its customer needs and ensure that performance and quality are rated high

Over 90% of elevator materials is imported from overseas which implies that the firms in the industry rely heavily on the foreign exchange market. The Kenyan Shilling has remained on the weaker side compared to the major currencies like the Euro, US dollar, Swiss Franc, Austrian Schilling among others. The unpredictable nature of this market is a challenge because the company does not have control of the foreign exchange market yet it relies heavily on overseas suppliers for most of its equipment and spares.

The other challenge is that Schindler Kenya operates under guidelines from its headquarters in Switzerland and because of the bureaucracy involved some decisions

take longer as opposed to decision making in smaller companies. Most of the competitors because of the nature of flexibility in their operations are able to out source and procure spares and materials from suppliers in the Far East where products are cheaper and prices are much more competitive. This advantage has enabled them to penetrate the Kenyan market easily since they are able to supply products and provide services at lower prices.

4.2 Responses

This section seeks to show how Schindler Kenya has responded to changes in the external environment. Schindler has been affected by the challenges posed by the environment under which it operates and has had to respond to these challenges in various ways to remain in business.

To achieve higher sales turnover, the company has rejuvenated the marketing department while invigorating its sales team. There has also been a general reduction in mark-up whereby the company has been forced to sell more units in order to retain the bottom line growth in new installations.

In response to competition in the market, the company has been forced to pay greater attention to customer needs by frequent visitations and monthly surveys through questionnaires to customers for feed back and proactive reaction to the complaints. They have also established a support centre which is headed by a technical support coordinator in conjunction with service leaders to enhance customer service. Through regular feedback of customer demands the company is able to keep a check on areas where they need to improve on and also have knowledge on the satisfaction levels of the customers. This feed back assists the company also to forward demands of the customers concerning development and improvement of products to the research and development at the head quarters in Switzerland.

To remain competitive in the Kenyan market, the company has shifted the sourcing of elevator equipment and spares from head office in Switzerland which is more

expensive. They now obtain them from other parts of the world including China, South Africa among others where prices are much more competitive.

In response to advancement in technology, Schindler Kenya has back up support from its headquarters research and development department which has come up with innovations resulting into advanced equipment at competitive pricing. The company has been able to perfect its technology day by day to match with the changing times and manufacture elevators that are well suited to the complex structures of the upcoming buildings. For instance, Schindler has come up with machine room-less equipment/drive for customers who do not have enough room in their buildings. Their revolutionary Miconic 10 control system, also known as a destination control system, features keypads instead of hall stations where riders can enter their floor before entering an elevator so that people going to the same floors are grouped together minimizing the number of stops. This further innovation on products has been giving rise to reduction in cost too.

With the onset of liberalization Schindler is now more aware that the consumers have the freedom of choice and are aware of the suppliers in the market. In response to this phenomenon, Schindler has been making efforts unlike in the past through advertising and recently through re-branding. Brand advertisement is being done in supplements on local newspapers and magazines, technical and construction magazines and journals. The company is also keen in participation in marketing events which draw industry decision makers for instance sponsorship of golf tournaments

In order to build a reputation of transparency and integrity in all its dealings, Schindler Kenya has responded through the enforcement of code of conduct and high level anti-trust regulations, which will ensure its participation in only competitive and transparent bidding or transactions. This has been as a result of the changes in the political system, which demands that public and private procurement of lifts and services be subjected to competitive tendering. This has been a challenge to Schindler Kenya because a client can no longer single source or have a preferred supplier while most of the transactions are now subject to competition hence eliminating monopoly and trust.

In order to reduce company costs and to ensure efficiency in its operations, in January 2006, the expatriate general manager was replaced by a local resident to manage the business. There was also a major restructuring which led to reduction in staff in the service department in January 2007. This was an effort to reduce operational costs and allow for recruitment of younger personnel for continuity.

It is apparent from the above findings that Schindler Kenya has adopted strategies to counter the changes in the environment in order to remain competitive in the market. However, the company should still continue scanning the environment in order to come up with better and appropriate strategies which will ensure its success and survival in the current business environment.

The company should continue with research and development on new innovations and solutions on complex technical conditions. There is also a need to innovate elevators that are suitable for this environment. This would cater for the very high human traffic in some commercial buildings, dusty environment and hot temperatures as opposed to the much cooler weather in the European countries.

Further, for the company to build a larger brand presence and to be perceived to be giving back to the society, it needs to participate in corporate social responsibility activities or programmes. This could take the form of sponsoring needy homes, giving any assistance to the less fortunate members of the society, sponsoring sports events or even giving out education bursaries to the poor.

Regarding human resource the company should ensure continuous development and motivation of the same as well as have in place a structured training programme which integrates theoretical with practical training to enhance the learning experience. The company should also create a favourable environment to attract qualified graduates in the electromechanical field who will also serve as potentials for further training in the advanced technology. This will also cut down the need of two technicians, that is one trained in mechanical only and another trained exclusively in electrical. The advancement in technology of elevators and sophisticated computer systems has placed additional employee-training demands. A skill development

programme that enhances skills in tandem with advancement of elevator technology is of great importance.

It is clear from the findings that Schindler has the necessary capability to adopt aggressive strategies to match the external environmental changes. It has the backing from its headquarters which is a multinational corporation. This includes research and development, financial as well as management back up. The benchmark standards are also set at the headquarters. There is also the opportunity to learn through the other Schindler subsidiaries in different parts of the world. This would help to make management decisions in the development of the business.

The study also revealed that there are some areas in the company which have improved. There has been a complete make over of the office setting and computerization. The working environment and atmosphere has changed for the better with a different outlook of the offices. All the workers in the office have access to a computer and most processes have been computerised including the accounts, stores and the procurement process.

Another area is the introduction of job grading, and job descriptions which include key result areas and key performance indicators. This has improved the working relations between the company and the employees. The workers are now more enlightened on the expectations from the company.

The Company is paying greater attention/focus to the customers. The introduction of monthly customer surveys and visitation has enhanced a more proactive response to customer concerns.

CHAPTER 5 – SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

From this case study carried out on Schindler Kenya, which is one of the leading elevator companies in Kenya, it is apparent that the company has been facing various changes and challenges in the business environment. From the findings there is an indication that the company has been greatly affected by changes in the political system and legislation, increase in competition, liberalization of the foreign as well as local markets and advancement in technology. These challenges calls for the management of the company to be more aware of the external competitive forces to be able to come up with strategies which will enable the company to act appropriately to the changing external circumstances.

From the findings some of the challenges resulting from the changes in the business environment include having to deal with declining company profits, having to keep up with the training needs of workers because of dynamism in technology, having to develop or supply more affordable products, dealing with a changed customer who is more demanding and improving on service delivery in order to have a competitive advantage.

Schindler Kenya has responded to some of the changes through various ways. It has been more aggressive in its sales and by selling more units has managed to retain its bottom line. There is greater focus on the customers and their demands. The company has also introduced new products in the market which are energy saving, custom driven while meeting specific needs of the customers. Restructuring of the company in order to reduce costs and improve on efficiency of operations was another response that Schindler Kenya undertook.

5.2 Conclusion

The objective of the study was to establish the strategic responses by Schindler Kenya Limited to the changes in the environment. From the study there is a clear indication that the company is facing a number of challenges which it cannot afford to ignore.

From the findings it is apparent that Schindler has been responding to the challenges by undertaking various measures in order to remain competitive in the market. For instance by paying greater attention to the needs of the customer, restructuring, sales aggressiveness, introducing new products in the market which are exciting, faster and modern such as the panoramic and the Miconic 10 elevators.

5.3 Recommendations

It is recommended that further studies in the elevator industry be conducted. For instance there is need for accurate and concise market information with regard to competition in the industry.

Since this was a case study on Schindler Kenya, a similar study can also be carried out to find out how other elevator companies in the market are responding to the environmental changes.

5.4 Limitations of the Study

It was not possible to get accurate data regarding the elevator industry and individual firms in Kenya from the relevant authorities. Since there has not been any studies on this area accurate and more concise market information was not available.

Another limitation of the study is that generalization is not possible. Since this was a case study on Schindler Kenya some of the findings may not apply to other firms in the industry.

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APPENDICES

APPENDIX 1 - INTERVIEW GUIDE

SECTION A: RESPONDENT'S PROFILE

Name (optional).....

Position held.....

How long have you worked in this position?.....

How long have you worked in the organization?.....

SECTION B: CHALLENGES IN THE ENVIRONMENT FACING SCHINDLER LTD.

I. Describe the changes that have taken place within the last 10 years in the business environment which have affected Schindler (e.g. changes in technology, liberalization of markets, increased competition)

II. What is the impact of these challenges to Schindler Limited and how has Schindler been affected?

SECTION C: STRATEGIC RESPONSES

III. Has Schindler responded to these changes? Yes / No

IV. Explain in detail how Schindler has responded to these changes.

V. Are there any changes that Schindler has not responded to and why?

VI. Do you have any suggestions that you think Schindler can adopt to stay competitive?

VII. Can you identify any areas of improvement that have taken place in the company?

VIII. In your assessment, does Schindler Limited have the necessary capability to adopt aggressive strategies to match the external environmental changes?

If not, please indicate the possible means by which Schindler can acquire these capabilities.