STRATEGIC RESPONSES TO CHALLENGES OF LIBERALIZATION BY DT DOBIE KENYA LTD

BY

MULEI, JULIUS MWEMA

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STUDENTS DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

Signed: ______________________________ Date: ____________________________

Mulei, Julius Mwema (D61/P/8407/04)

This project has been presented for examination with my approval as appointed supervisor

Signed: ______________________________ Date: ____________________________

Mr J. Kagwe

Department of Business Administration

University of Nairobi

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DEDICATION

I dedicate this work to my family i.e. wife Sophie and my two daughters Lyda and Rhoda for their understanding and support during the study period.

ABSTRACT

The purpose of this study is to establish strategic responses employed by DT Dobie towards the challenges of liberalization. Since the liberalization of the automotive industry in Kenya, a lot has happened to the industry. There is intense competition in the distribution and marketing of motor vehicles and parts. Some concerns have been raised about the implications of the deregulation of the industry and there is need to find out the effects and how firms in the industry have responded to the challenges of liberalization. The market structure has become more competitive and there are many players, all competing for the same consumers.

The study was a case study and the informants were senior staff of DT Dobie. The researcher chose DT Dobie since it has remained competitive and vibrant even after liberalization meaning that it has employed successful strategic responses to competition and other challenges brought about by liberalization. The study used primary data which was collected using interview guides and the data analyzed using content analysis.

The study found out that DT Dobie and Company Ltd has responded to challenges of liberalization by turning to massive advertisement of products and services, introducing, developing and pricing their products competitively, beefing up the companies standards both managerial and physical standards, undertaking cost minimization by outsourcing non-core business, pricing the products based on foreign currency to contain foreign currency fluctuation, diversifying into sales of parts accessories to augment sales revenue and establishment of field sale. The study, however, recommends that DT Dobie should also target the lower market niche with their products and use pricing techniques that will favor the same.

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CHAPTER ONE: INTRODUCTION

1.1 Background

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000).

Due to changing environment, industries are responding to customer’s demand by becoming more innovative in their new ways of approaching the changed environment. They adopt strategies such as improved customer services, credit facility, post-paid cards and provision of convenience goods and services. Rapid technological change has created a new business environment where innovation has become a top competitive strategy. According to Ansoff and McDonnell (1990), increased competition has created fundamental shift in economic environment where no organization can hope to stay afloat if it fails to come up with proper strategic responses. Terminologies such as retrenchment, mergers, rightsizing and cost reduction have become a routine for survival means.

1.1.1 Organization and Environment

In order to define the concepts of environmental uncertainty and the challenges of the environment, Duncan (1972) emphasizes the perception of organizational members. Differences in individual perceptions and tolerance of ambiguity or uncertainty must be taken into account in developing these concepts.

An organization’s environment consists of the totality of physical and social factors which are taken directly into consideration in the decision making behavior of individuals in the organization. The external environment consists of those relevant physical and social factors from outside the boundaries of the organization or specific decision-making unit that are taken into consideration (Duncan, 1972). Leavitt *et al.* (1974) concur by stating that organizations both respond to and operate on the contexts in which they are embedded. The environmental context, in turn, renders experiences for learning. Additionally, through the processes of selection, the context limits the strategy space of an organization as it responds to challenges and crisis situations (Smart and Vertinsky, 1984). According to Leavitt et al. (1974) a firm has to learn, adopt and reorient itself to the changing environment.

1.1.2 Concept of Strategic Responses

Ansoff and McDonnell (1990) noted that strategic responses involve changes in the firm's strategic behaviors to assure success in transforming future environment. Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Therefore it is a reaction to what is happening in the economic environment of organizations. Porter (1998), views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy.

Thus, strategy refers to the matching of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes 2001). According to Ansoff and McDonnell (1990), it is through Strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. He further argues that this can be done by firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness, and secondly, use of real time response through issue management and thirdly, systematic management of resistance during strategic implementation.

Ansoff developed the Ansoff Strategic Success Formula which emphasizes that the strategic response of an organization should position and relate an organization to its environment in a way which will ensure its continued success and make it secure from adverse environmental changes. Therefore strategic management is vital to a firm's success and, indeed, for its continued survival, thus this study focuses on DT Dobie's responses to challenges posed by globalization and liberalization of motor vehicle industry in Kenya.

1.1.3 Liberalization of the Motor Industry

Since the beginning of the 1990s, the government of Kenya has made significant strides in the implementation of economic reform measures aimed at economic stability, sustainable economic growth, market liberalization and enhancement of domestic and external competitiveness. In Kenya, as a result of the liberalization of trade under the World Trade Organization, in 1994; under World Bank/IMF-imposed structural adjustment programmes (SAPs), which have been going on since 1980, (and which led to widespread liberalization of the economies of most developing countries well before 1994), and under regional free trade agreements, local companies have witnessed various challenges including cheap imports coming from both developed countries (especially the US and the EU) and also from developing countries (mostly United Arab Emirates) and foreign competition.

By the end of 1994, the government had dismantled foreign exchange controls and allowed a free floating exchange rate, removed import licensing and liberalized domestic marketing of all items including motor vehicles. This made competition more intense in the motor vehicle industry and has led to many players going out of business and others are still struggling. Competition from cheap imports is putting companies in the automotive industry in developing countries out of business. In spite of this some companies including D.T. Dobie have come out strongly and strengthened their position in the industry. This has been due to strategic planning and devising strategic responses to the various challenges brought about by this development.

The Automotive industry in Kenya is primarily involved in the retail and distribution of motor vehicles. There are a number of motor vehicle dealers operating in the country, with the most established being Toyota (East Africa), Cooper Motor Corporation, General Motors, Simba

Colt and DT Dobie. There are also three vehicle assembly plants in the country, which concentrate on the assembly of pick-ups and heavy commercial vehicles.

The established dealers face intense competition from imported second-hand vehicles, mainly from Japan and United Arab Emirates. These imports now account for about 70% of the market. The last decade witnessed a significant decline in the number of new vehicles sold in the country. There has been a steady recovery in the last four years, but the numbers achieved still fall far short of the numbers recorded a decade ago. In 2004, the leading motor vehicle companies recorded sales of 9,979 units. Although 27% better than the previous year, this is still well below the levels achieved in the early 1990's.

The slump in the volume of new cars sold is attributable the increased competition from second hand vehicles and the depressed economic environment. The Kenya Motor Industry Association (KMI), the representative body of the corporate participants in the motor industry, has been lobbying hard to reverse this trend. Some of these measures have helped the industry recover from its lowest point in 2000, when only 5,869 units were sold. On their part, the companies themselves have become more innovative in responding to customer needs. Some of the measures that KMI has been advocating include: implementation of strict criteria on importation of second hand vehicles, incentives to promote local assembling of commercial vehicles, and export incentives aimed at encouraging car manufacturers to expand operations in the region.

1.1.4 DT Dobie Kenya Ltd

The late colonel David Dobie, a veteran of World War 2, started D.T Dobie in 1949. The company started out with the Mercedes-Benz franchise for East Africa, which included both saloon cars and also heavy commercial vehicles. In 1964 the organization was awarded the sole franchise distributorship of Nissan passenger and light commercial vehicles in Kenya. In 2001, through the company's franchise holding in DaimlerChrysler, it was awarded the Jeep franchise for Kenya. In 2007, DT Dobie acquired the Renault brand for saloons and light commercial vehicles.

The company was in the year 2000 acquired by CFAO, a French company that is a wholly owned subsidiary of the Pinault Printemps–Redoute (PPR) group. PPR are a world-renowned organization in specialized distributorship with a market value currently estimated to be in excess of US$ 25 billion. CFAO is the leader in vehicle distribution in Africa and the French overseas departments and territories. They are present in 30 African markets and D.T Dobie benefits from their international management and technical experience in different markets and also their financial support. DT Dobie enjoys after sales service facilities and has a service network consisting of branches in Mombasa and Nakuru, dealers and service centres countrywide. The company also has a body shop located on Lusaka Road which provides high quality workmanship for damaged vehicles. Over the last few years in keeping with worldwide technological advancements, the organization has invested heavily in Hi-tech equipment and on-going training of the personnel. The company has undergone three phases of re-organization and restructuring and currently has a workforce of 200 employees compared to workforce of about 600 employees in the 1996.

The study chose DT Dobie since it has succeeded in dealing with the challenges that came up in the eve of the motor vehicle industry liberalization. It therefore follows that, to succeed in such a changed environment, DT Dobie must have employed quick strategic responses to those challenges which have enabled it to maintain its competitive position and its market share.

1.2 Statement of the Research Problem

Considering that performance is the major objective of an organization, it is generally accepted that the structure and decision making in an organization is influenced by environmental complexity and volatility (May et al. 2000). Furthermore, it is argued that organizations that align strategies with the requirements of their environment outperform organizations that fail to achieve such alignment (Beal 2000).

Companies in the automotive industry have restructured and re-engineered their business processes on several occasions during the last century. These changes have been implemented upstream towards suppliers and downstream towards customers. Environment consists of those relevant physical and social factors from inside and outside the boundaries of the organization that must be taken into consideration (Duncan, 1972). Leavitt *et al.* (1974) concur by stating that organizations both respond to and operate on the contexts in which they are embedded. The environmental context, in turn, renders experiences for learning. Additionally, through the processes of selection, the context limits the strategy space of an organization as it responds to crisis situations (Smart and Vertinsky, 1984).

Smart and Vertinsky (1984), for example, maintains that to maximize long-term effectiveness, organizations need to develop the capability not only to cope with daily events in the environment, but also to cope with external events that are both unexpected and of critical importance (crises). The corporate resource allocation has become an essential issue in this process. The restructuring and re-engineering of companies' business processes are ongoing evolutions and a reality in many industries. They have become necessities for survival.

Studies have been done on how firms in the motor vehicle industry have responded to different changes in the external environment. Supply networks were used as a fundamental building block of system flexibility, which was confirmed by initial studies at Volvo (who started their build-to-order programme in the early 1990s to counter competition and decline in sales (Hertz et al., 2001)). Due to globalisation, vehicle manufacturers were found to develop global strategies to integrate geographically dispersed operations to maintain global competitiveness and manage in a complex turbulent environment (Stonehouse *et al.*, 2000, pp. 6-11).

In Kenya, various studies have been conducted in the Motor Vehicle Industry. Nyika (2007) studied the process of strategy implementation among motor vehicle franchise holders in Nairobi. Muhindi (2007), studied response strategies to increased competition by spare parts dealers franchise by Japanese motor vehicles in Kenya. Shikanga (2006), studied marketing planning practices in the Kenya motor vehicle industry. Another study by Njuguna, (2005) studied environmental changes and their influence on the motor vehicle industry structure. The study focused on the motor vehicle assemblers and franchise holders in Kenya.

No study known to the researcher has been conducted locally to establish strategic responses employed by a motor vehicle company to meet the challenges brought about by the liberalization of the motor vehicle industry. The study therefore seeks to fill this gap by conducting a survey of the response strategies employed by DT Dobie to combat challenges of liberalization. This study will attempt to answer the following questions:-

(i) What are the strategic responses employed by DT Dobie to the challenges of liberalization?

(ii) Have the strategies response adopted been successful?

1.3 Study Objectives

The objectives of the study are to;

i) Establish strategic responses adopted by DT Dobie to meet the challenges of liberalization.

ii) Establish the success of strategic responses in dealing with the challenges of liberalization.

1.4 Importance of the Study

The findings of this study will have importance to DT Dobie and other players in the vehicle manufacturing and distribution industry since they will shed light on the challenges brought about by liberalization and the strategic responses they can apply to meet those challenges.

The study will also be important to the government in that it will highlight areas that need to be addressed by passing important laws and policies to streamline the motor vehicle industry.

The study will also provide information to potential and current scholars on the strategic responses to challenges of liberalization in the motor industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Organizational Environment

One of the primary functions of effective management is to organize and use the available resources in ways which minimize the impact of environmental threats and pressures on the organization (Steers, 1977). Organizations must adapt to their environments if they are to remain viable. Smart and Vertinsky (1984), for example, maintain that to maximize long-term effectiveness, organizations need to develop the capability not only to cope with daily events in the environment, but also to cope with external events that are both unexpected and of critical importance (crises). For many organizations crises are unique and rare events. However, in many industries crises may be a regular feature of corporate life. Consequently, a central issue in the process of organizational adaptation is not only coping with uncertainty, but understanding situations where uncertainty can degenerate into a crisis.

In order to define the concepts of environmental uncertainty and the dimensions of the environment, Duncan (1972) emphasizes the perception of organizational members. Differences in individual perceptions and tolerance of ambiguity or uncertainty must be taken into account in developing these concepts. An organization's environment consists of the totality of physical and social factors which are taken directly into consideration in the decision making behavior of individuals in the organization. The external environment consists of those relevant physical and social factors from outside the boundaries of the organization or specific decision-making unit that are taken into consideration (Duncan, 1972). Leavitt *et al.* (1974) concur by stating that organizations both respond to and operate on the contexts in which they are embedded.

The environmental context, in turn, renders experiences for learning. Additionally, through the processes of selection, the context limits the strategy space of an organization as it responds to crisis situations (Smart and Vertinsky, 1984). Although the external environments of organizations have been conceptualized in various ways (Pfeffer and Salancik, 1978), several important dimensions have been underscored. Two major dimensions are of concern for this study: stability and complexity.

Emery and Trist (1965) were early researchers of one crucial dimension: the degree of environmental stability. They suggested that the concept of turbulence and its opposite, placidity, are key factors. Turbulence is a measure of change as it occurs in the factors or components of an organization's environment. At one end of a continuum of change there is a static environmental state (placidity or no change); at the other end there is a turbulent or dynamic state where all factors are in constant flux (Bourgeois and Eisenhardt, 1988; Smart and Vertinsky, 1984). The amount of environmental turbulence is closely related to the degree of uncertainty facing an organization.

The rate of change, in addition to the absolute amount of turbulence, is a critical factor. Jurkovich (1974) suggests that the rate of change can be defined by measuring the amount of alteration to major goals in a given period. Jurkovich proposes that the higher the change rate in the environment, the higher the number of major organizational goals that must be altered and vice versa. Please note that in several studies (Bourgeois and Eisenhardt, 1988) the terms discontinuity, dynamism and volatility have been used interchangeably to refer to the rate (or degree) of environmental change. The ability to time organizational changes to keep pace with environmental change rates is an important indicator of an organization's coping abilities. Moreover, the rate of change has been shown to account for more variance in perceived uncertainty than any other attribute at the business level of strategy making (Duncan, 1972).

Complexity is the second critical dimension of the external environment. It refers to the number of factors in the environment that must be taken into consideration by the organization in a decision-making situation (Duncan, 1972; Smart and Vertinsky, 1984). Also, Child (1972) defined complexity as the heterogeneity and range of activities relevant to organizational operations. Steers (1977) argues that a simple environment is one in which the external factors with which an organization must deal are few in number and relatively homogeneous. Smart and Vertinsky (1984) assert that a simple environment frees an organization from the necessities of sophisticated information systems, since there would only be a limited number of information categories to be monitored that would be critical for organizational decision making. Complex environment not only place greater demands on an information system, but also calls for a higher-quality to account for diverse constituencies in the environment (Smart and Vertinsky, 1984, p. 200).

Duncan (1972) integrated the two dimensions of stability and complexity into a four-cell matrix of environmental states. He suggests that the dimensions of stability and complexity influence the degree of uncertainty in organizational decision making. The more complex and dynamic the environment, the greater is the perceived uncertainty for a firm. Utterback (1979) lists some problems created for the firm by changes in its environment. These problems are exacerbated by the organization's (that is, its constituents') ability to cope. First, change may be more difficult for any one organization. But if there are many more potential sources of change than in the past, then the pace of change and its attendant uncertainty could indeed be increasing. The environment would then be essentially a turbulent field with changing sets of variables to contend with and changing relationships among them. (Utterback, 1979) suggests that in dealing with turbulent environments, peripheral information on changes may be crucial to creative solutions.

Changes that can revolutionize a firm's business and strategy have a tendency to come from unexpected directions and be viewed as disruptive (Utterback, 1979). These include functional competition from new technologies often introduced by new firms or existing businesses enter in a new market. To make things worse, greater competition across national boundaries also increases the number of potential sources of disruptive changes. Utterback (1979) strongly asserts that the organization must adapt to changes in its environment which are often beyond its control or influence, and which in turn may involve changes in products, policies, organizational structure and procedures. This requires a degree of flexibility and time for effective responses and, consequently, a need to anticipate important environmental changes. (Utterback, 1979) emphasizes that his focus is primarily on the way in which firms gather and analyze information about the environment. Accommodation to change will be treated only in the sense that firms' efforts to anticipate change are in themselves a response to environmental uncertainty.

Predictions of the effects of trends and events are far more difficult than foreseeing the primary changes themselves. The result is that environmental analysis and forecasting are severely constrained (Utterback, 1979).

An organization's predicament is that its constituents may selectively perceive much of the environmental information available to it. But, as noted, environmental change often comes from unexpected directions, and the peripheral information which is discarded may be the very information which is most crucial. Utterback (1979) argues that an organization's environment largely determines its strategy and other responses such as policy, organizational structure and the planning process. The appropriateness of these responses, both in the context of the environment and with respect to one another, largely determines the effectiveness of its performance.

Environmental complexity may be viewed as a function of both the number of environmental variables and constraints important to the organization, and as a function of the diversity, or number of different components, of the environment (e.g. technological, political, legal) containing important variables or constraints (Duncan, 1972; Utterback, 1979). Moreover, Utterback (1979) maintains that it is not simply the number or diversity of variables and constraints that contribute to complexity, but fundamentally the number of relationships that exist among important variables. An extreme case of the complex-dynamic type of environment is one in which relationships among different variables and sets of variables are changing. That is to say, cases in which the structure of the environment is changing. These are identified as turbulent environments (Bourgeois and Eisenhardt, 1988; Duncan, 1972; Utterback, 1979)

Several studies suggest that organic structures allow rapid organizational response to changing external forces in unpredictable environments, while mechanistic structures are better suited to predictable environments where rapid organizational responses are not typically required (Burns and Stalker, 1961; Covin and Slevin, 1989; Lawrence and Lorsch, 1967). Utterback (1979) suggests also that an organization's environment largely conditions its strategy and that its use of formal methods in anticipating change is largely a response to both its environment and strategy. Environmental uncertainty may be expected to affect patterns of informal communication, and an organization's competitive strategy may be expected to affect formal relationships and the support given to the use of forecasting. Organizations in less certain environments tend to have more extensive informal and lateral relationships. Nevertheless, Aguilar (1967) shows that most of the critical information for strategy formulation comes to the organization from informal and unstructured contacts with its environment.

It is important to note the nature of human perception in the assessment of environmental uncertainty. Weick (1969) suggests that an individual's perceptions need not correspond to any objective reality. Managers will "enact" an environment that is consistent with their psychological set.

The end result of this process is that an environment which one organization perceives as simple, static and containing little uncertainty may be perceived as complex, dynamic, and highly uncertain by a second organization.

Duncan (1972) proposes that environmental uncertainty can be defined by three components; the lack of information regarding the environmental factors associated with a given decision-making situation, not knowing the outcome of a specific decision in terms of how much the organization would lose if the decision were incorrect and inability to assign probabilities with any degree of confidence with regard to how environmental factors are going to affect the success or failure of the decision unit in performing its function.

Kahneman and Tversky (1982) assert that a more insightful approach to uncertainty is to equate it with unpredictability, the inability to foretell future events. Uncertainty can be attributed to the external world or our state of knowledge (external uncertainty versus ignorance). This is, in turn, closely related to a more general distinction between external and internal attributions of experience. External uncertainty can be assessed through; a distribution mode where the case in question is seen as an instance of a class of similar cases for which the relative frequencies of outcomes are known or can be estimated; or a singular mode in which probabilities are assessed by the propensities of the particular case at hand.

The internal uncertainty associated with a given question can sometimes be assessed both in the reasoned – inducing the answer from other knowledge; and in the retrospective – searching for an answer that sounds familiar. Thus, uncertainty in a given problem can be attributed to external dispositions, to ignorance, or to a combination of the two (Kahneman and Tversky, 1982).

Although the language of probability can be used to express any forms of uncertainty, the laws of probability theory do not apply to all variants of uncertainty with equal force. These laws are most likely to be accepted and satisfied in intuitive judgments when an external uncertainty is assessed in a distributional or frequentistic mode. When uncertainty is assessed in terms of propensities, arguments, or confidence, it is less obvious that the probabilities should add up to unity – even if it is known with certainty that one of the alternatives is correct.

Daft and Lengel (1986) contend that uncertainty and equivocality are two forces influencing information processing in organizations. If we were to define uncertainty as the absence of information or, in Galbraith's (1977) terms, as the difference between information needed and information possessed, we would be assuming that managers work in environments where questions can be asked and answers obtained. Equivocality refers to ambiguity or the existence of multiple and conflicting interpretations about an organizational situation. High equivocality implies confusion and lack of understanding. Uncertainty is a measure of the organization's ignorance of a value of a variable in the space; equivocality is a measure of the organization's ignorance of whether a variable exists in the space.

During times of rapid technological change and development, within emerging industries, or during the launch of new products, organizations face high uncertainty and high equivocality. The concept of high velocity environments is used to designate those environments which are characterized by rapid and discontinuous changes in demand, competitors, technology, and/or regulation such that information is often inaccurate, unavailable or obsolete (Bourgeois and Eisenhardt, 1988).

This concept implies that there are continuous dynamisms (Dess and Beard, 1984) or volatility (Bourgeois, 1985), but these are overlaid by sharp, discontinuous change (Meyer, 1982; Sutton *et al.*, 1986). Dynamism is characterized by the rate of change and innovation in the industry as well as the uncertainty or unpredictability of the actions of customers and competitors (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Thompson, 1967). Industries operating in high velocity environments, e.g. microcomputers, airlines, and banking, experience such an extreme rate of change that information is often of questionable accuracy and is quickly obsolete (Bourgeois and Eisenhardt, 1988). Two additional characteristics have been underscored in the literature: hostility and heterogeneity. Hostility refers to the degree of threat to the firm posed by multi-facetedness, vigor and intensity of the competition and the downswings and upswings of the firm's industry (Khandwalla, 1976). Heterogeneity, or complexity, encompasses variations among the firm's markets that require diversity in production and marketing orientations (Porter, 1980).

In this light, strategic decision making is problematic in this kind of environment not only because change is so dramatic, but also because it is difficult to predict the significance of a change as it is occurring (Sutton *et al.*, 1986). As a result, it is particularly easy to render poor strategic judgment. However, in high velocity environments the "wait and see" and "me too" decision strategies may also result in failure, as competitive positions change and windows of opportunity close. Thus, the dilemma is best summarized as follows: it is easy to make mistakes by acting too soon, but equally ineffective to delay decision making or to copy others.

2.2 Strategic Responses

According to Porter (1980) strategy is about competition and the means by which an organization tries to gain a competitive advantage. He has described a category scheme consisting of two general types of strategies that are commonly used by businesses. The two generic strategies are as follows: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market to be targeted. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. In addition, he identified two competencies that he felt were most important: product differentiation and product cost (efficiency). Porter simplifies the scheme to the three best strategies: cost leadership, differentiation, and market segmentation (or focus). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope.

2.2.1 Corporate Responses

The four possible corporate strategies are; market penetration, product development, market development and diversification as strategies that managers could consider as ways to grow the business via existing and/or new products, in existing and/or new markets. However, he points out that a diversification strategy stands apart from the other three strategies. The first three strategies are usually pursued with the same technical, financial, and merchandising resources used for the original product line, whereas diversification usually requires a company to acquire new skills, new techniques and new facilities.

Therefore, diversification is meant to be the riskiest of the four strategies to pursue for a firm. According to him, diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit (Ansoff 1980).

The company’s corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is a very important link between corporate-level and business level. According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization.

According to Hill and Jones (1999), focus strategy concentrates on serving particular market niche, which can be defined geographically, type of customer or by segment of the product line. It differs from the first two because it is directed towards serving the needs of a limited customer group or a segment. Hence the company is specialized in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovate product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger. It differs from corporate strategy in that whereas corporate strategy involves decisions about the entire organization, strategic decision under the business units are basically concerned with how customers' or clients' needs can best be met. According to Johnson and Scholes (2002) "Business unit strategy is about how to compete successfully in particular markets".

2.2.2 Operational Responses

According to Johnson and Scholes (2002), operational strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. Even though strategies may be focused on a given function, as often as not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

2.2.3 Grand Strategies

Firm may respond to increased competition by entering new markets with similar products. These could be markets they are currently not serving, or new geographical markets. Market entry strategies may include acquisitions, strategic alliance and joint ventures. Firms may also react to competitive forces by developing new products. This will be aimed at reducing risks through diversification as a means of responding towards competitive forces and could be related or unrelated. Related diversification may take the form of vertical or horizontal integration. In the face of increased competition this has the benefit of cost reduction, defensive market power, and offensive market power. Backward integration takes a firm closer to suppliers while forward integration moves it closer to its customers. Forward diversification may involve acquisitions of businesses not within the current product and market scope (Pearce and Robinson, 1997).

Bernard (1938) and Simon (1957) recognized that firms on their own can not create resources and capabilities needed to prosper and grow; they identified collaboration as a viable way of combining resources in business opportunities. As argued by Harrigan (1985) strategic alliances are more likely to succeed when players possess complementary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfillment of its strategic objectives. A firm will furthermore need to posses knowledge base in the same area, since only such similarity will allow an understanding of the intricacies of the new knowledge as well as of its applicability to the firms unique circumstances (Coher and Levintal, 1990).

Differentiation is used by firms as a response technique to increased competition. A firm can also result to creating entry, mobility and substitute barriers to strategic groups. Such barriers can be in the form of differentiation that makes it difficult to imitate products (Shushil, 1990).

Firms can also respond to competition by collaborating with other players in the industry. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising among others. Schollei (1999) argues that in order to fortify a firm’s position against predators from abroad, it is important to collaborate. Collaboration also reduces the cost of differentiation and enhances competitive advantage (Morrison and Lee, 1990).

2.2.4 Ansoff Growth Strategies

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies: i) Market penetration (existing markets, existing products): Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions; ii) Product development (existing markets, new products): A firm with a market for its current products might embark on a strategy of developing other products catering to the same market. Frequently, when a firm creates new products, it can gain new customers for these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive; iii) Market development (new markets, existing products): An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm; iv) Diversification results in the company entering new markets where it had no presence before. It usually requires new skills, new techniques, and new facilities. As a result it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experience.

The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than `penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value, although it does always offer a useful reminder of the options which are open.

2.3 Environmental Changes and Strategic Responses

According to Johnson and Scholes (2003), dealing with the environment is difficult because of three factors. First is the diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may not be of much use because no overall picture emerges of the really important influences on the organization. The second difficulty is the speed of change. Managers typically feel that the pace of technological change and the speed of global communications mean more and faster changes than ever before. Third is the problem of complexity. Managers are no different from other individuals in the way they cope with complexities; they try to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It is important to avoid these tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

Ansoff (1980) asserts that when a firm fails to respond to a threat, the losses that results continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point. The start of response is delayed past the rational trigger point due to four factors; systems delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990).

Systems delay typically occurs in large firms due, in part, to the time consumed in observing, interpreting, collating and transmitting information to responsible managers. In another part, it due to the time consumed by these managers in communicating with one another and establishing a common understanding as well as the time necessary for processing the decisions among the responsible groups and decision levels. A verification delay may be invoked because some managers will argue that, even though the level of impact has reached unacceptable proportions, there is never an ironclad assurance that the threat is real and that the impact is permanent. They will opt for waiting a little longer to see if the threat will ‘blow itself out.

A political delay may occur if certain managers, whose domain contributes to the crisis, feel that the recognition of a crisis will reflect on their reputation and/or will cause them to lose power. Even if they are convinced that the threat is real, they will want to fight a delaying action to avoid becoming scapegoats, to gain breathing space to develop a line of defense, or to line up a line of retreat. Unfamiliarity rejection delay would contribute to other three if, as is typical in the Western managerial culture, the managers are trained to trust prior and familiar experiences and reject unfamiliar ones as improbable and invalid.

These delays will substantially increase the total cost to the firm. Such response is referred to as reactive management. The organization will incur two types of costs as a result of delayed response to discontinuous changes. These are the cumulative loss of profit and the cost incurred in arresting or reversing the loss. Management problem is to minimize the total losses (Ansoff and McDonnell, 1990).

To survive in a dynamic and highly competitive business environment, different organizations have had to engage various strategies to survive. One such strategy is the corporate turnaround strategy. A turnaround situation is one of pointing out to a new direction. It is a complete change in strategic direction of a firm after it has faced a corporate distress. Such a situation can easily lead to collapse of a company unless a plan of corporate survival and renewal is devised and successfully executed. The starting point is identification of the root cause or causes of the crisis. Turnaround strategies are used when a business worth resuming goes into corporate crisis (Pearce & Robinson, 1997).

If a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Critical success factors are crucial to an organization because it takes into consideration fundamental changes in the environment thus making firms proactive rather than reactive. Strategy has an important role in helping businesses position themselves in an industry.

Effective strategy may enable a business to influence the environment in its favor and even defend itself against competition. Aaker (1992) also adds that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. Kotter (1998) says that to adapt to environmental changes, firms require effective leadership. He further states that, while leadership is crucial, most organizations are over-managed and others under-led. In this regard therefore it is necessary to examine what impacts leadership and strategic management have on an organization in relation to its external environment.

Johnson and Scholes (2002), view strategy as the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a changing environment and fulfill stakeholders expectations. If a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength.

Porter (1985) observes that for firms to be able to retain competitive advantage, they need to examine their environment both internal and external and respond accordingly. Ansoff and McDonnell (1990) also point out that the success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence. This is because each level of environmental turbulence has different characteristics, requires different strategies and requires different firm capabilities. Therefore, each level of environmental turbulence requires a matching strategy and the strategy has to be matched by appropriate organizational capability for survival, growth and development. Being ahead of the game requires that firms employ competitive strategies that are sustainable and assures them of their market position. A firm without superior strategy is like a blind man leading the way, and actually existence of strategy is not a guarantee for success. Institutionalizing those strategies, allocation of adequate resources, visionary leadership and good corporate culture, amongst others are necessary ingredients for successful business success strategies. To be successful overtime, an organization must be in tune with its external environment. There must be a strategic fit between the environment wants and what the firm has to offer, as well as between what the firm need and what the environment can provide. The speed or response time to the environment challenges has been identified (Pearse and Robinson, 1997) as a major source of competitive advantage for numerous firms in today’s intensely competitive global economy. It's thus imperative to quickly adjust and formulate strategies so as not to be overtaken by events.

CHAPTER THREE: RESEARCH METHODOLOGY

Research methodology is defined as an operational framework within which the facts are placed so that their meaning may be seen more clearly (Leedy, 1993). This chapter covers research design, data collection and data analysis.

3.1 Research Design

This was a case study design which gave an in-depth and comprehensive inquiry (investigation) into the strategic responses to challenges of liberalization by D.T. Dobie Kenya Ltd. The primary purpose of a case study is to gain an in-depth knowledge of a particular phenomenon under study hence a case study design was deemed the best to achieve the objectives of this study.

3.2 Data Collection

In this study emphasis was given to primary data. The primary data were collected using an interview guide. The interview guide assisted in probing the informants in order to get detailed information required to meet the specific objectives of the study. The interview guide consisted of a set of well structured questions directed to the General Managers and Departmental Heads who are involved in the corporate and business strategy development of the company. Most of the data collected was qualitative in nature.

3.3 Data Analysis

The qualitative data collected was analyzed using content analysis. This analysis was chosen because it would provide a qualitative picture of the study. Content analysis has been described as "a research technique for the objective, systematic and quantitative description of the manifest content of a communication". Its breadth makes it a flexible and a wide-ranging tool that may be used as a methodology or a problem-specific technique (Cooper and Schindler 2003, p. 460)

CHAPTER FOUR: DATA FINDINGS AND ANALYSIS

This chapter presents the data collected by the study and its analysis there-of. Since data collection involved the use of interview guide, content analysis was used in data analysis. The data was collected from General Managers, Marketing Manager, Quality Assurance Coordinator, Finance Manager, IT Manager and Human Resource Manager.

4.1 Findings

4.1.1 Challenges of Liberalization

To the question on the main challenges of liberalization of auto industry the interviewees said that liberalization has brought increased cheap imports from both developed countries like US and EU and developing countries like United Arab Emirates hence putting companies in the automotive industry out of business, foreign currency fluctuation, global recession/global financial crisis and differing countries' comparative advantage. They also said that liberalization has brought about foreign competition since many foreign companies invest in auto industry and the potential customers also buy directly from the foreign markets.

To the question on how the company dealt with the challenges, the interviewees said that they have turned to massively advertising their products and services, introducing and developing their products, pricing their products competitively, beefing up the companies standards both managerial and physical standards. The interviewees further said that the company has also undertaken cost minimization by outsourcing non-core business, pricing the products based on foreign currency to contain foreign currency fluctuation, diversifying into sales of car accessories to augment sales revenue and establishment of field sales.

4.1.2 Responses to Challenges of Liberalization

To the question on how DT Dobie has addressed specific areas in containing challenges brought about by liberalization, the interviewees said that on customer service, the company has ventured into field sales whereby the company's sales teams educate and inform the potential and current customers of the new products and services . The company also provides after sales services like servicing the vehicles and providing spare parts for the vehicles bought. The company has a well established network of service centres in Nairobi, Mombasa, Nakuru, Kisumu, Eldoret, Nyeri, Meru and Malindi. The company has an Express Service Centre, first of its kind in the region, located at Lusaka road premises which provides customers with quick quality service on minor or medium services at reasonable prices. According to the interviewees, the Express Service Center includes a modern tea/coffee reception area where customers can wait for their cars while they are being serviced; nevertheless, customers have the choice of watching as their vehicles are serviced. As part of customer care services the company takes in customer parts orders via stock orders and rush orders via DHL with the flexibility in ordering being aimed at shortening downtime and thus keep the customers vehicles on the road.

On product differentiation and innovation, the interviewees said that the company engages in development of products (brands) for the Niche market, that is, Mercedes Benz, jeep and the Chrysler. The interviewees also said that establishment of Express Service Centres which is the first of its kind in the region and also the establishment of a Diagnostic Centre in Nairobi was as a result of innovation. The interviewees said further that owing to liberalization challenges, the company has upgraded its Parts department facilities to match world standards and increased its investments in inventory to support the model variants in the market whereby it currently processes in excess of forty thousand line items per month.

On brand image of the company, the interviewees said that the company enhances its brand image by displaying its product at shopping outlets like Sarit Centre, Yaya centre and Village market and by adhering to the set physical standards on offices organization and the premises appearances. Through Client Obsession (CLIO) program the company places its clients at the centre of its automobile system and improves the quality of reception in compliance with the expectations of its manufacture partners. The company also enhances its brand image through various shows like the Concours D'Elegance, Total Motor shows and ASK shows where it displays its range of products. As part of brand image enhancement, the company took part in the Mombasa ASK show on 27th to 31st of August, 2009 and clinched the award for the best Motor Vehicle stand and got first position second year running for representing the best vehicles known for empowering people in agricultural business. The interviewees said this participation enhanced its brand image in the market.

On pricing, the interviewees said that the company as a response to increased competition brought about by liberalization, the company uses Special Inter-Agency Procurement Services Organization (IAPSO); a system which ensures rationalization and strengthening of the procurement function in UNDP due to recent growth in the volume of procurement, and Diplomatic pricing is available on all its products. The interviewees also said that the company prices its products based on foreign currency so as to avoid costs due to foreign exchange fluctuations and that the company has negotiated extended credit periods from local suppliers and foreign suppliers so as to improve its liquidity position.

On IT Infrastructure the interviewees said that the company has migrated from Automate system to Autoline system which interfaces with current communication system like SMS system and fax system hence enabling the company to communicate to its customers efficiently. On financial management the company prices its products based on foreign currency to avoid costs associated with foreign currency fluctuation and borrows from its banks i.e. Barclays and Standard Bank, based on competitive rates mostly at 1.5% above the market investment rates which ensures availability of finances for investments. DT Dobie international procurement is done by advance foreign currency hedging to avoid costs associated with foreign currency fluctuations as a financial management response to liberalization.

On manpower, DT Dobie engages in training programs for employees, like on the job trainings and professional trainings and has introduced an all inclusive management style whereby employees are involved in decision making. Employees' compensation/remuneration has been improved by introducing incentive schemes like bonuses and commissions. The interviewees also said that in order to mitigate competition, the company has improved its front office display, introduction of new range of products and engages in competitive pricing. The interviewees further reported that the company has diversified its spare parts business and in 2008 the company launched the selling of car accessories to diversify business. The company also promotes its products in the print media; mainly newspapers and selected magazines and electronic media while strategic outdoor advertising is done using billboards and bridge branding. On market growth the interviewees said that DT Dobie, though targets top-end of the market, currently enjoys a market share of 40% in the luxury passenger car and prime mover truck segments and boasts an annual turnover in excess of Ksh 4 billion as in any financial year with a minimum increase in annual in turnover of 10%. On employees' welfare, the interviewees further said that the company has improved health and safe work environment and has an affirmative HIV/AIDS policy.

4.1.3 Major Changes That Have Occurred In DT Dobie's Departments

The interviewees were further asked to explain the major changes that have occurred in the DT Dobie's departments in the last 3 years. In finance and procurement department the interviewees said that the changes that have been experienced are pricing of products based on foreign currency and doing of international procurement by advance foreign currency hedging to avoid costs associated with foreign exchange fluctuations. Borrowing from banks is based on competitive rates mostly at 1.5% above the market investment rates. The company has negotiated extended credit periods; 60 days for local suppliers and 45 days for foreign suppliers. The company has contained costs by outsourcing non-core business activities like cleaning services, mailing services and catering services. In human resource department, the changes that have occurred are development of training programs for employees; on the job and professional trainings, introduction of an all inclusive management style whereby employees are involved in decision making and implementation of performance management systems. Compensation has also been improved by introducing incentive schemes like bonuses and commissions. Management By Objective (MBO) appraisal system and 'How is the Weather Like' concept were introduced. 'How is the Weather like' concept is a survey done annually on employees to establish their working environment in order to determine areas that need improvement.

In service departments, the interviewees highlighted various changes such as the introduction of workshop processes 2010 program which is aimed at improving the work processes in the workshop and introduction of Body and Paint Standards (B&P standards). According to the interviewees, these two programs were implemented because they are international standards aimed at achieving quality work at the workshop and bodyshop. The service department also introduced a continuous program for training its mechanics to keep them updated with the current technology. In parts department, annual program for stock reduction has been introduced whereby three years old stock is disposed off to reduce the cost of holding excess stock. The interviewees said that in the last 3 years parts stock levels have been averaging Ksh. 160,000,000 as opposed to Ksh. 200,000,000 in the previous years. The department also introduced field sales and marketing section to increase parts sales and launched the selling of car accessories in 2008 to diversify business. To improve the brand image the frontline sales team has branded uniforms.

The interviewees further said that the company migrated from Automate computer system to Autoline computer system in May 2009 which enabled it to communicate to its customer efficiently. The new system has enabled the company to interface with its manufacturers systems. All the departments and processes of the company have been automated. The company has also introduced the KAIZEN concept which

is a program of shortening and compressing work procedures to increase efficiency.

4.1.4 Products Development in the Last 3 Years

To the question on the products development in the last 3 years, the interviewees said that the company launched C-Class and ML-Class Mercedes-Benz models which have been doing well in the market compared to the competitors models in that class. According to the interviewees, the product development has led to DT Dobie's product to include A-Class, C-Class (C180 Kompressor and C200 Elegance), E-Class (E200 Elegance, E250 Elegance and E300 Elegance), ML-Class, (ML 270CDI, ML 320 and ML 350), S-Class, Trucks (Actros 3340s and 3341s) and Busses (MCV). The interviewees also said that the company introduced Actros 4X2 - 2031 truck targeting the horticultural sector. The interviewees further said that the last three years has seen the introduction of various brands like the new Nissan TIIDA, Nissan Navara, Jeep (Grand Cherokee, Commander, Chrysler, Wrangler) and Renault.

4.1.5 Challenges Faced in Developing and Implementing Strategic Responses

On challenges faced in developing and implementing strategic responses, the interviewees said that the company faces a low level of employee incompetence owing to inadequate training and volatile technology. The interviewees further revealed that DT Dobie faces challenges posed by customers' change in demand, high custom duty and stringent import regulations and procedures and fluctuation in foreign currency

4.1.6 Corporate and Operational strategies to Challenges of Liberalization

To the question on the corporate and operational strategies applied by DT Dobie company as strategic responses to challenges of liberalization, the interviewees said that the company has liberated its bureaucracy so as to enable the employees' participate in the decision making. The company has also liberalized its corporate strategies to be made in its subsidiaries or branches instead of the strategies lying entirely on the company's headquarters. The interviewees further said that the operational strategies of the company are formulated and implemented as a response to competition and also to pre-empt its competitors' actions. The interviewees further confided the company's strategies have been successful since they have enabled the company to gain a 40% market share and winning Nissan Champion Distributor award in 2009 as an acknowledgement for an excellent performance and demonstrating outstanding operational improvement.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary and conclusion drawn from the data findings and the recommendations there-to. The chapter is thus structured into summary of findings, conclusions and recommendations.

5.1 Summary of Findings

On the main challenges of liberalization of auto industry the data findings indicated that liberalization has brought about increased cheap imports from both developed countries and developing countries putting companies in the automotive industry out of business, foreign currency fluctuation, global recession/global financial crisis, companies benefiting unfairly from differing countries' comparative advantage and foreign competition since many foreign companies invest in auto industry and the potential customers also buy directly from the foreign markets.

On how DT Dobie dealt with the challenges of liberalization, the study found out that the company has turned to massively advertising their products and services, introducing and developing new products, pricing their products competitively, beefing up the companies standards both managerial and physical standards, undertaking cost minimization by outsourcing non-core business, pricing the products based on foreign currency to contain foreign currency fluctuation, diversifying into sales of car accessories to augment sales revenue and establishment of field sales.

The study also found out that the company has addressed specific areas such as customer care service, product differentiation, building as strong brand image and acquired a new IT system.

The Company Customer Satisfaction Index (CIS) stood at 90.1% in the year 2008. On product differentiation the company recently introduced strong brands like the Mercedes Benz

C-Class 204 series, Mercedes Benz E-Class 212 series, Mercedes Benz S-Class 221 series and the Chrysler. Brand image has been enhanced by intensive marketing campaigns like display of products at shopping outlets and advertisements in both the electronic and print media.

On IT infrastructure, the company has migrated from the Automate system which interfaces with the current communication systems like SMS system and fax system enabling the company to communicate to its customers efficiently.

The Human Resource Department has developed training programs for employees which include on the job trainings and professional trainings. Employees' appraisal system is based on Management By Objectives (MBO) appraisal system and the company has adopted an all inclusive management style where employees are involved in decision making processes. Compensation has also been improved by introducing incentive schemes like bonuses and commissions. On employees' welfare the company has improved health and safe work environment and has an affirmative HIV/AIDS policy.

The company has undergone restructuring and re-organization and the company premises were recently renovated at a cost of KShs.200,000,000.

5.2 Conclusion

DT Dobie and Company Ltd has been quite successful in responding to challenges of liberalization which has enabled it achieve a market share of 40% and winning Nissan Champion Distributor award in 2009 as an acknowledgement for an excellent performance and demonstrating outstanding operational improvement. The challenges brought about by liberalization have been, increased cheap imports from both developed countries and developing countries putting companies in the automotive industry out of business, foreign currency fluctuation, global recession/global financial crisis, companies benefiting unfairly from differing countries' comparative advantage and foreign competition since many foreign companies invest in auto industry and the potential customers also buy directly from the foreign markets.

The study concludes that DT Dobie has responded to challenges of liberalization by turning to massive advertisement of products and services, introduction of strong brands and pricing of their products competitively, beefing up the companies standards both managerial and physical standards, undertaking cost minimization by outsourcing non-core business, pricing the products based on foreign currency to contain foreign currency fluctuation, diversifying into sales of car accessories to augment sales revenue and establishment of field sales.

The company has been engaging in customer care services like field sales whereby the company's sales teams educate and inform the potential and current customers of the new products and services and also providing after-sales services like servicing the vehicles and providing spare parts for the vehicles bought ..The company has service centres in Nairobi, Mombasa, Nakuru, Kisumu, Eldoret, Nyeri, Meru and Malindi. The company has an Express Service Centre, with a modern tea/coffee reception area where customers can wait for their cars while they are being serviced or they can watch as their vehicles are serviced .The center is located at Lusaka road premises and provides customers with quick quality service on minor or medium services at competitive prices. Customer parts orders are taken in either via stock orders and rush orders via DHL with the flexibility in ordering being aimed at shortening downtime and thus keep the vehicles on the road.

DT Dobie has also strategically responded to challenges of liberalization by engaging in product differentiation and innovation. The company has developed products (brands) for the niche market like Mercedes Benz and Chrysler and upgraded its Parts department facilities to match world standards, increased its investments in inventory to support the model variants in the market and established Diagnostic Centres. The company has also enhanced its brand image by displaying its product at shopping outlets like Sarit Centre, Yaya centre and Village market, adhering to the set physical standards, offices organization and the premises appearances. The company has adopted Client Obsession (CLIO) program whereby the company places its clients at the centre of its automobile system and improves the quality of reception in compliance with the expectations of its manufacture partners. The company also participates in various shows like the Concours D'Elegance, The Total Motor show and the ASK shows where it displays its range of products.

5.3 Recommendations

The study however recommends that the company should apart from focusing on the top market niche, it should also focus and position its products in the lower market segment since by doing this the sales revenue would improve. In achieving this, the company should also sale a wide range of products like is the case of Toyota which are cheap and affordable to the middle income earners instead of majoring in the sales of top of the range products like Mercedes Benz, Chrysler and Jeep.

The study also recommends that the company should also improve in their pricing terms. The use of Inter-Agency Procurement Services Organization (IAPSO) and Diplomatic pricing are not convenient for the middle income earners but for Organizations like United Nations, government agencies and the rich. By improving on their pricing terms they would compete favorably with its competitors.

5.4 Limitations of the Study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected.

The main limitations of this study were;

Some respondents were unavailable to be interviewed. This reduced the probability of reaching a more conclusive study. However, conclusions were made with the available response rate.

The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations.

Most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide the required information and due to official duties time was a major concern.

5.5 Areas of Further Research

The study recommends that further research be done on how other firms in the automobile industry respond to challenges of liberalization so as to obtain a comprehensive and exhaustive findings on how companies in the industry respond to the same since each company has its own unique strategies. The study further recommends that studies be done on benefits of economic liberalization in automobile industry in Kenya. This would provide a holistic approach on the liberalization.

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APPENDIX: INTERVIEW GUIDE

1. In your view, what are the main challenges that cropped up due to liberalization of auto industry?

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2. How did you deal with the above challenges? Explain briefly

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3. Explain how you have addressed the following areas in dealing with the challenges of liberalization.

   a) Customer service/satisfaction………………………………………………….

   b) Product Differentiation & Innovation…………………………………………

   c) Brand Image……………………………………………………………………

   d) Price……………………………………………………………………….....

   e) IT Infrastructure……………………………………………………………….

   f) Financial management………………………………………………………...

g) Manpower……………………………………………………………………

i) Competition…………………………………………………………………

i) Employees welfare ……………………………………………………………

4. Explain the major changes that have occurred in the following departments in the last 3 years

   i) Finance Department

   ii) Human Resource Department

   iii) Service Department

   iv) Parts Department

   v) Procurement Department

   vi) Information Technology Department

5. Explain the products that you have development in the last 3 years

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6. What challenges have you faced in developing and implementing strategic responses to meet challenges brought about by liberalization? Briefly explain.

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   ………………………………………………………………………………………………

7. What are the corporate and operational strategies applied by your company as strategic responses to challenges of liberalization?

    a)………………………………………………………………………

    b)……………………………………………………………………….

    c)……………………………………………………………………….

    d)……………………………………………………………………….

8. Were the strategic responses successful in dealing with challenges? If so, explain how

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