STRATEGIC MANAGEMENT PRACTICES OF FIRMS IN THE WINES AND SPIRITS INDUSTRY IN KENYA

BY

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DECLARATION

This Research Project is my original work and has not been presented for a degree in any other University.

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DEDICATION

This paper is dedicated to my wife Rachael who has supported me all through during this course, my daughter Liz and Son Dan for their understanding in taking their dad-kids play time. My Mother Elizabeth Wakonyu Mwitari ,who laid a firm foundation, sound upbringing and wise guidance which has always inspired me to always look ahead.

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ABSTRACT

The business environment within which dealers in the wines and spirits industry operate has experienced several changes. These include: - increased competition, increased government supervision, political reforms and unfavorable economic conditions. All these have greatly affected the growth of the industry. This was a descriptive survey intended to establish the strategic management practices adopted by firms in the wines and spirits industry in Kenya and determine the challenges encountered by those firms in adopting the strategic management practices.

The population of this study was all firms in wines and spirits industry in Kenya. There were 31 firms nationwide with the break down of 23 in spirits only, 6 in wines only and 2 in both wines and spirits. Nevertheless, this study targeted all firms in the wines and spirits industry as the setting. The study used primary data collected using a semi-structured questionnaire. Senior officers and where possible, the chief executive officers (CEO) of each of the firms in the wines and spirits industry in Kenya were the key target. Descriptive statistics were used to analyze data.

It was found out that chief executive officers were involved to a great extent in the development of corporate goals, missions, objectives, alternative corporate strategies, and evaluation and approval of the corporate plans, and having planning as a philosophy in the firms. The involvement of the board of directors in the corporate planning process in firms dealing in spirits only was low compared to those dealing in both wines and spirits. From the findings, it was recommended that the process of developing organizational strategy in these firms must be iterative. Formulation and implementation of strategy must occur side-by-side rather than sequentially, because strategies are built on assumptions which, in the absence of perfect knowledge, will never be perfectly correct

Given that the study focused on one industry, a similar kind of questionnaire and research approach can be used to investigate the strategic management practices of other industries and sector in Kenya such as insurance companies, banking and non banking lending companies, leasing companies etc.

CHAPTER ONE: INTRODUCTION

1.1 Background

The development of the field of strategic management within the last two decades has been dramatic and it grows larger every day (Chinowsky and Byrd, 2001). According to Anand and Singh (1997) a significant amount of the empirical studies in strategy were concerned about the scope of the firm and its performance implications. However, strategic management generally addresses the question of why some organizations succeed or fail, and it covers the causes for company's success or failure (Porter, 1991). While the field of strategic management has been developing rapidly, no one has attempted to investigate the strategic management practices of a particular industry in Kenya. This research aims to explore the strategic management practices adopted by firms in the wines and spirits industry in Kenya and therefore, it will provide insight knowledge about the strategic management practices of a particular industry in a developing country.

The wines and spirits industry is very complex compared to beer due to the number of players. Wines and spirits are manufactured while others are imported ready for consumption by more than 10 companies in Kenya today. Whereas most spirits consumed locally are produced within the country, wines are imported from various countries all over the world. Therefore, exploring the strategic management practices of practices adopted by firms in the wines and spirits industry will be extremely important for every firm in this industry. Since no firm has unlimited resources, strategists must decide which alternative strategies benefit the firm most (Fred, 1997). Thus, a strategy reflects managerial choices among alternatives and signals organizational commitment to particular products, markets, competitive approaches, and ways of operating the firm (Thompson and Strickland, 2003). Furthermore, different organizations in different environments are likely to emphasize different aspects of the strategic management process (Johnson and Scholes, 1999). To deal effectively with everything that affects the growth and profitability of a firm, executives employ management practices that they feel will position the firm in its competitive environment by maximizing the anticipation of environmental changes and of unexpected internal and competitive demands.

1.1.1 Strategic Management Practices

According to Berry (1995), strategic management can be viewed as a series of steps covering the tasks of analyzing the opportunities and threats that exist in the external environment; analyzing the organization's strengths and weaknesses within the internal environment; identifying agency stakeholders; establishing organization's mission and goals; formulating strategies by matching the organization's strengths and weaknesses with the environment's opportunities and threats; implementing the strategies; and finally engaging in strategy control activities to measure the implementation progress and ensure achievement of the stated goals.

Johnson and Scholes (1999) developed a model for strategic management which consists of strategic analysis, strategic choice and strategy implementation. Similarly, Thompson and Strickland (2003) identified five major tasks of strategic management that include developing a strategic vision and business mission, setting objectives, crafting a strategy to achieve the objectives, implementing and executing the strategy, evaluating performance. According to Johnson and Scholes (1999), strategic analysis is concerned about the strategic position of the company in terms of its external and internal environments and stakeholder expectations. Analysis of external environment includes the company's operating political, economic, social, technological, legal environments and the main purpose of that is to find out the opportunities and threats that exist in the operating environment. Similarly, internal environmental analysis is concerned with the company's resources and competences which can identify its strengths and weaknesses. The other part of the strategic analysis includes the analyses of the stakeholder expectations and the company's major purposes. Strategic choice includes identifying the bases of strategic choice, generating strategic options and evaluating and selecting of strategic options. Johnson and Scholes (1999) highlight that identifying the bases of strategic choices means identifying the company's strategic mission and intent which provides the overall ambition of the company and also how the company seeks to compete at the strategic business unit level.

Generation of strategic options seeks to find out what strategic development direction best matches the company's main objectives. Evaluating and selecting of strategic options includes an assessment of the suitability of the strategy and that may be an evaluation of the fit between company's resource capability and operating environment or the development of company's resource capability to create more opportunities for the company (Johnson and Scholes, 1999). Strategy implementation involves the process of translating strategy into organizational action through organizational structure and design, resource planning and the management of strategic change (Johnson and Scholes, 1999). The major questions needed to be addressed by the company under the strategy implementation are the questions such as what should the company structure and design be, what are the key tasks that need to be carried out, and what sort of systems are needed to monitor progress etc.

Despite the significance of strategic management in driving organizations towards desired directions, various challenges or barriers exist hindering executives of organizations from effecting strategic management initiatives. Wilkinson and Pedler (1996) use the term barriers to describe the challenges encountered by executives in practicing strategic management. According to them, the term barriers refers' to those manageable influences that can typically derail best intentions with regards to group or committee strategic process development. There are four main barriers. The key is to isolate each barrier in advance of assembling a group, in order to assess the likelihood of any one barrier negatively affecting the outcome. Each barrier, when contained, creates an improved result with an exponentially improved result when all four are addressed and removed. Wilkinson and Pedler (1996) observed that the four main barriers to executive groups creating sustainable and effective strategic direction are as follows: Fear, Cynicism, Ignorance and finally, a combination of Time and Place.

1.1.2 Wines and Spirits Industry in Kenya

The wines and spirits industry is very complex compared to beer due to the number of players. Wines and spirits are manufactured while others are imported ready for consumption by more than 10 companies in Kenya today. Whereas most spirits consumed locally are produced within the country, wines are imported from various countries all over the world from countries such as South Africa, Italy, France, Chile, Argentina and Spain. The dominant companies in this industry are United Distillers under the umbrella of East African Breweries

Ltd (EABL), London Distillers Ltd, Kenya Wine Agencies, Keroche Industries Ltd, African Spirits Ltd, Wine Masters Ltd, Wines of the world and Distell Kenya Ltd. Nevertheless, there are many other small companies and individuals involved in the wines and spirits business. The industry players are involved in sourcing the raw materials, distillation, packaging, marketing and distribution. At the distribution level, competition and market complexities have compelled industry players to appoint distributors and stockists for efficient and effective use of the products to the prospective consumers.

The wines and spirits market is expected to continue seeing positive volume growth in the forecast period but at a slower rate as the increased taxes and high inflation rate coupled with political misunderstandings slowed consumer expenditure in 2008. This is likely to continue to have an effect on the sales of wines and spirits as people are likely to be more cautious about spending as prices are expected to rise further. The low purchasing power will probably result in lower value sales growth. It is appreciative to note that wines and spirits manufacturers in the country have taken up the challenge of producing low cost wines and spirits without compromising health standards.

In the recent past, the Kenyan government has always relied on taxes from alcohol to offset its annual budget. The key taxes levied on alcohol are excise and value added taxes. As a result of the tax impasse, most local manufacturers have suddenly found themselves with huge inventories of un-sellable stock of wines and spirits, worth hundreds of millions of shillings, while a number of industry players have suspended production as they await intervention of the new tax measures, which means that prices are expected to rise further. Consequently, there is likely to be a shift from consumption of manufactured and imported wines and spirits to consumption of traditional brews. It is estimated that 74% of Kenyans consume traditional brew, and only 24% consume manufactured alcohol, whilst 2% consume wines and spirits. The number of people consuming traditional brews, especially chang'aa, is likely to increase.

1.2 Statement of the Problem

The business environment within which dealers in the wines and spirits industry operate has experienced several changes. These include: - increased competition, increased government supervision, political reforms and unfavorable economic conditions. All these have greatly affected the growth of the industry. The Kenyan government has always relied on taxes from alcohol to offset its annual budget. The key taxes levied on alcohol are excise and value added taxes. As a result of the tax impasse, most local manufacturers have suddenly found themselves with huge inventories of un-sellable stock of wines and spirits, worth hundreds of millions of shillings, while a number of industry players have suspended production as they await intervention of the new tax measures.

Consequently, there is likely to be a shift from consumption of manufactured wines and spirits to consumption of traditional brews. The demands of liberalization and increased competition have meant that dealers in this industry should make deliberate efforts to put in place measures that would give them an edge over competitors. The managers of these organizations are now required to posses the capability to restructure and adapt the firms to challenging constraints and to regard strategic management as a key component to the overall success of their businesses.

Strategic management can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enables any organisation to attain its objectives. As this definition entails, strategic management gives emphasis on integrating management, marketing, finance, production/operations, research and development and computer information systems to achieve organisational success. The term strategic management is also used synonymously with strategic planning (David, 2001). The principal benefit of strategic management has been to help organisation formulate better strategies through the use of a more systematic, logical and rational approach to strategic choice (Thompson and Strickland, 2003). One of the potential benefits of strategic management is it makes sure that the organisation only follows one direction or path and that is towards the achievement of its business mission, objectives and success. Strategic management actually gives the organization direction, a sense of identity and unity towards what the business goal.

The expectations of adopting strategic management by these firms are many. These include: taking an organization-wide, proactive approach to a changing global world; building an executive team that serves as a model of cross-functional or horizontal teamwork; defining focused, quantifiable outcomes and measures of success; making intelligent budgeting decisions; clarifying their competitive advantages; reducing conflicts in their operations; and providing clear guidelines for day-to-day decision making (Angkasuvana, 2005). Firms need to be more than just competitive here-and-now. The competition for industry leadership is just as crucial to firms as is the competition for developing the right competencies in the right time. Thus, strategic management is also about integrating time horizons and activities related to competition (Pearce and Robinson, 2000).

Strategic management in the wines and spirits industry in Kenya is still insubstantial and unknown in the sense that there is no known documented proof of its practice. This study is undertaken to fill this knowledge gap. The wines and spirits industry was chosen as the setting because of its significant role as one of the key contributors of government revenue and also critical as a catalyst in economic growth and well-being for the country. It is imperative to study on how strategic management is being adopted by firms in the wines and spirits industry as a tool of enhancing their performance.

While strategic management is widely practiced by firms and other profit oriented organizations in this country, its adoption by firms in the wines and spirits industry was less understood. A number of studies had been done on strategic management. These included studies by Oomens and Bosco (1996) whose focus was on strategic issue management in major European based companies; Ng'ang'a (2001) on real time strategic management practices in the Kenyan companies quoted at the Nairobi Stock Exchange and Swalehe (2005) on strategic issue management by insurance companies in Kenya. While appreciating the role played by strategic management in achieving competitive advantage, the former studies were based in different industries. Findings from these previous studies may not be generalized to fairly represent the wines and spirits industry. The uniqueness of each sector necessitated a separate study. The study therefore sought to fill the gap by providing answers to the following questions.

i. What are the strategic management practices adopted by firms in the wines and spirits industry in Kenya?
ii. What are the challenges of strategic management encountered by firms in the wines and spirits in Kenya?

1.3 Objectives of the Study

The objectives of the study were to:

i) To establish the strategic management practices adopted by firms in the wines and spirits industry in Kenya
ii) To determine the challenges of strategic management encountered by firms in the wines and spirits in Kenya.

1.4 Importance of the study

Firstly, most of the concepts and theories in the domain of strategic management have been developed in western countries but, this study is specially designed to explore the strategic management practices adopted by firms in the wines and spirits industry in Kenya and therefore, this research will provide insight knowledge about strategic management practices of a particular industry in a developing country.

Secondly, findings of this study will be helpful to managers of companies in other industries of the Kenyan economy as they will understand how to manipulate strategic management practices to suit their industries. Also, the major research findings of this study will provide the opportunity for the individual firms to compare and assess their strategic management practices with other firms in the wines and spirits industry in Kenya. That will help the individual firms to identify the shortcomings and strengths of their strategic management practices.

Future scholars and researchers may use the results as a source of reference in subject matters related to strategic management practices. Finally, consultants who might use the research to advice interested parties on effective strategic management practices

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy and Strategic Management

Strategy is a multi-dimensional concept that has become increasingly relevant for business as they try o survive and thrive in an increasingly turbulent environment, filled with ambiguities and uncertainties. Like many other concepts in the field of management, there are many approaches to strategy but none is universally accepted (Stacey, 2003). According to Meyer and Wit (1999), the only way of understanding the philosophy of strategy is to understand the diversity of the definitions of strategy given by the many outstanding thinkers in the field of strategy and also to conclude that there is no simple answer to the question of what is "strategy".

Whittington (1993) proposes four basic approaches to strategy namely classical, processual, systemic and evolutionary. These four approaches differ fundamentally according to the outcomes of strategy and the processes by which it is made. In the classical perspective, strategy is perceived as a rational process which includes deliberate calculation and analysis. Classical theorists believe that the environment can be changed and therefore, rational analysis and objective decision making determine the organization's long term success or failure (Whittington, 1993). Their ultimate goal is to maximize the competitive advantage of the company. In the evolutionary perspective, rational planning is often seen as irrelevant. Environment is too unpredictable for evolutionary theorists and therefore, they expect markets to secure profit maximization rather than relying on rational planning methods. All managers can do is make sure that they fit as efficiently as possible to the environmental demands of the day (Whittington, 1993). Processual theorists believe rational plans can be changed over the time due to environmental changes and the differences of individuals who create and implement those plans. Therefore, strategies emerge with much confusion and in small steps. For processual theorists, both the organization and markets are often sticky messy phenomena and the best advice is "not to strive after the unattainable ideal of rational fluid action, but to accept and work with the world as it is" (Whittington, 1993). Systemic strategists accept the importance of the rational planning to act effectively in response to environmental changes and they reject the notion of rational planners as perfect profit maximizers. According to systemic perspective, strategies can be changed due to the managers' cultural and social backgrounds. As a result, different organizational structures and goals can be created and therefore, firms differ according to the social and economic systems in which they are embedded (Whittington, 1993).

Similarly, Mintzberg et al (1998) proposes five P's for the strategy and views strategy as plan, pattern, ploy, position or perspective. Strategy as "plan" describes strategy as a direction, a guide or course of action into the future, a path to get from here to there and therefore, strategies are intended and made prior to the actions. "Pattern" perspective views strategy as consistent behaviour over time and therefore, the pattern view is looking at its past behaviour while the plan view is looking at the future. Companies can develop strategies for the future and they also can identify the pattern of their strategies in the past. Thus, the plan view has the intended strategy and the pattern view has the realized strategies. Mintzberg's view of strategy as a ploy represents a specific plan to outwit an opponent or competitor. His view of strategy as position believes "Strategy is the creation of a unique and valuable position, involving a different set of activities" (Mintzberg et al, 1998) and strategy as perspective viewers consider the company's fundamental way of doing things. The perspective view "looks inside the organization, indeed, inside the heads of the strategists, but it also looks up-to the grand vision of the enterprise" (Mintzberg et al., 1998).

Jauch and Glueck (1988) defined strategic management as a steam of decisions and actions, which leads to the development of an effective strategy or strategies to help achieve corporate objectives. Johnson and Scholes (2005) observed that strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action. Pierce and Robinson (1991) defined strategic management as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve an organization's objectives.

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives (David, 2003). It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies and plans, projects and programs. Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term organizational objectives. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives.

Strategic management is the highest level of managerial activity. Strategies are typically planned, crafted or guided by the Chief Executive Officer, approved or authorized by the Board of Directors, and then implemented under the supervision of the organization's top management team or senior executives. Strategic management provides overall direction to the enterprise and is closely related to the field of organization studies. In the field of business administration, it is useful to talk about strategic alignment between the organization and its environment or strategic consistency. According to Arieu (2007), there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context.

2.2 Strategic Management Process and Practices

Johnson and Scholes (1999) developed a model for strategic management which consists of strategic analysis, strategic choice and strategy implementation. Similarly, Thompson and Strickland (2003) identified five major tasks of strategic management that include developing a strategic vision and business mission, setting objectives, crafting a strategy to achieve the objectives, implementing and executing the strategy, evaluating performance.

According to Johnson and Scholes (1999), strategic analysis is concerned about the strategic position of the company in terms of its external and internal environments and stakeholder expectations. Analysis of external environment includes the company's operating political, economic, social, technological, legal environments and the main purpose of that is to find out the opportunities and threats that exist in the operating environment. Similarly, internal environmental analysis is concerned with the company's resources and competences which can identify its strengths and weaknesses. The other part of the strategic analysis includes the analyses of the stakeholder expectations and the company's major purposes.

Strategic choice includes identifying the bases of strategic choice, generating strategic options and evaluating and selecting of strategic options. Johnson and Scholes (2005) highlight that identifying the bases of strategic choices means identifying the company's strategic mission and intent which provides the overall ambition of the company and also how the company seeks to compete at the strategic business unit level. Generation of strategic options seeks to find out what strategic development direction best matches the company's main objectives. Evaluating and selecting of strategic options includes an assessment of the suitability of the strategy and that may be an evaluation of the fit between company's resource capability and operating environment or the development of company's resource capability to create more opportunities for the company (Johnson and Scholes, 1999).

Strategy implementation involves the process of translating strategy into organizational action through organizational structure and design, resource planning and the management of strategic change (Johnson and Scholes, 2005). The major questions needed to be addressed by the company under the strategy implementation are the questions such as what should the company structure and design be, what are the key tasks that need to be carried out, and what sort of systems are needed to monitor progress etc. As Kazmi (2002) noted, the implementation tasks include: allocation and management of sufficient resources (financial, personnel, time, technology support); establishing a chain of command or some alternative structure (such as cross functional teams); assigning responsibility of specific tasks or processes to specific individuals or groups.

Evaluating performance is assessing how successful the adopted strategy was in attaining the organizational objectives. Strategy evaluation involves examining how the strategy has been implemented as well as the outcomes of the strategy (Coulter, 2005). This includes determining whether deadlines have been met, whether the implementation steps and processes are working correctly, and whether the expected results have been achieved. If it is determined that deadlines are not being met, processes are not working, or results are not in line with the actual goal, then the strategy can and should be modified or reformulated. Both management and employees are involved in strategy evaluation, because each is able to view the implemented strategy from different perspectives. An employee may recognize a problem in a specific implementation step that management would not be able to identify. The strategy evaluation should include challenging metrics and timetables that are achievable. If it is impossible to achieve the metrics and timetables, then the expectations are unrealistic and the strategy is certain to fail.

Thomson and Strickland (2003) declare that effective strategy making starts with the formation of a strategic vision which describe where the organization wants to go in future. Corporate vision outlines the desired future at which the company hopes to arrive (Wit and Meyer, 1998) and David (1997) defines mission statement as an enduring statement of purpose that distinguishes one business from other similar firms. Thompson and Strickland (2003) proposes three major tasks that managers complete in forming a strategic vision namely: coming up with a mission statement that defines what business the company is presently in and conveys the essence of “who we are, what we do, and where we are now”; using the mission statement as a basis for deciding on a long-term course, making choices about “where we are going”, and charting a strategic path for the company to pursue; and communicating the strategic vision in clear, exciting terms that arouse organization wide commitment. Furthermore, several authors highlight important factors that a company must consider when they create mission statements such as the importance of getting the inputs from the bottom up (D’Orleans, 2007), it must not be too far from the current situation of the company (Campbell, 1997), and the need to change their mission with the environmental and products changes (Johnson, 2007).

With articulation of clear vision and mission statements, effective strategy making follows with objective and goal setting. Organizational goal setting is vital for every organization because it is the first step that develops a road map for organizational activity and guidance for establishing the metrics to measure company progress (Ransom and Lober 1999). Lorange and Vancil (1997) differentiate company’s objectives and goals by asserting that an objective is an aspiration to be worked toward in the future and a goal is an achievement to be attained at some future date. Thus, objectives come before the goals. In strategic management, a number of analytical tools and techniques that are used include SWOT analysis, PEST analyis, five forces analysis among others as briefly discussed below.

One of these tools is SWOT analysis. It represents the internal strengths and weaknesses of a company and its opportunities and threats that exist in the external environments (Farjoun, 2002). Even though strategic management has grown in different directions, most of the strategic management text books continue to use SWOT model as their centrepiece (Mintzberg et al., 1998).

The second analytical tool is PEST analysis. PEST analysis can be used to analyze the political/legal, economic, social and technological factors in the macro environment that can affect the company and also to identify which of those are more important for the company (Johnson and Scholes, 1999).Table 2.1provides a simple checklist for PEST analysis.

Table 2.1: Checklist for the PEST analysis

Political/legal ❖ Monopolies legislation ❖ Environmental protection laws ❖ Taxation policy ❖ Foreign trade regulations ❖ Employment law ❖ Government stability	**Economic Factors** ❖ Business cycles ❖ GDP trends ❖ Interest rates ❖ Money supply ❖ Inflation ❖ Unemployment
Socio- cultural factors ❖ Population demographics ❖ Income distribution ❖ Social mobility ❖ Lifestyle change ❖ Attitude to work and leisure ❖ Consumerism	**Technological** ❖ Government spending on research ❖ Government and industry focus on technological effort ❖ New discoveries/development ❖ Speed of technology transfer ❖ Rates of obsolescence

Source: Johnson and Scholes (1999) p105

Porter (2004) proposed the five forces analysis as another analytical tool for strategic management to analyze a company's industry environment. According to Porter (2004), industry structure has a strong influence in determining the strategies potentially available for a company. Porter (2004) identifies the five major forces as suppliers, buyers, competitors, new entrants, and substitutes that control an industry. Thus, the results of Porter's five forces analysis help the company to adopt the most suitable strategies to position themselves well against their competitors in an industry.

In addition to the aforementioned tools, Key success factors can be used as a description of the major skills and resources required to perform successfully in a given market (Bisp, Sorensen and Grunert, 1998). Thus identifying the key success factors in an industry is important for every company.

Furthermore, Product life cycle analysis is used in strategic management to enable firms formulate appropriate strategies. Life cycle assessment techniques are a powerful tool to calculate environmental impacts on firms products, systems and resource consumption (Mont and Bleischwitz, 2007).With life cycle assessments, products and services managers need to identify which stage the product or service remains in (eg. introductory, growth, maturity or decline) and to develop strategies according to the stage. For example if the product is at introductory stage then company needs to implement more marketing strategies to create awareness.

Ansoff (1965) identified the Portfolio Analysis and Strategy as an alternative analytic tool in strategic management. The purpose of portfolio analysis is to analyze the opportunities that exist outside of the company's current scope and come to a decision whether the firm must change the scope of its portfolio through diversification or internationalization, or both (Ansoff, 1965). Firms may diversify into new product or foreign markets when they feel that the home markets are maturing or when they want to reduce their overall risk exposure (Wan, 2005). Davis and Devinney (1997) identify two types of diversifications namely the related diversification which diversify into similar lines of business or markets, and unrelated diversification which diversify into unrelated lines of businesses. Internationalization of a firm can be seen in a number of different ways such as in international joint ventures, in licensing agreements, in international advertising campaigns, in international trade, exhibitions and multitude of other events and actions etc (Uhlenbruck and Shimizu, 2006). When the opportunity arises, strategy can be used to determine whether the opportunity fits with the firm's strategic intent and if it does not fit then the opportunity can be rejected.

Understanding an organization's environment of operation can also be through the ETOP and SAP analysis. Environmental threat and opportunity profile (ETOP) help the managers to identify the threats and opportunities in the environmental sectors that affect the company's strategy such as from socioeconomic, technological, competitor, supplier, and government environments etc. By doing an ETOP analysis managers can identify the most critical sectors of the environment and focus intensively on their potential impact on the strategy of the firm as a whole (Glueck and Jauch, 1984). Strategic advantage profile (SAP) analysis help the managers to identify the more critical areas in the firm, which have a relationship to the strategic posture of the firm in the future such as marketing, research and development operations, corporate resources, and finance etc (Glueck and Jauch, 1984).

Additionally, the BCG matrix is used to analyze the performance of different businesss areas of an organization. The BCG matrix was developed by Boston Consulting Group and it can be used to compare company's strategic business areas (Ansoff and McDonnell, 1990). The vertical dimension of the matrix represents the company's volume growth and the horizontal dimension represents the market share in relation to the share of the leading competitor. The BCG diagram suggests how the company must take the future decisions regarding their strategic business areas as follows: the star should be cherished and reinforced; the dogs should probably be divested, unless there are compelling reasons for keeping them; the cash cows should be made to control (severely) their investments and send excess cash to the headquarters; and the wildcats need to be analyzed to see whether the investment necessary to convert them into stars is worthwhile (Ansoff and McDonnell, 1990). Thus, BCG matrix is important for a company because it proposes decisions on the desirable market share positions and allocations of strategic funds among the strategic business areas (Ansoff and McDonnell, 1990).

The McKinsey 7-S framework is also used in analyzing an organization's business environment. In 1980, McKinsey Consultancy Company encouraged managers to think about the interrelationship between 7 key variables that affect the company's effectiveness. Thus McKinsey 7-S framework focuses on the 7 variables that affect the company effectiveness namely strategy, structure, systems, staff, super ordinate goals, skills, and style of the company.

2.3 Challenges of Strategic Management

The concept of strategic management can be described as relatively new both in terms of corporate experience and as object within scientific research. The challenges are in terms of delimitation and definition related issues, issues related to corporate practice and general management related issues. First, in both the academic literature and the business literature, very different definitions and delimitations of the term "strategic management" can be found. Lombriser and Abplanalp (2005) state that the terminology to describe the strategic management process is inconsistent, often using different terms and definitions like "long term planning", "strategic planning" and "financial planning". Due to those differences, a variety of expectations related to process, tasks, responsibilities and results can be found in organizational practice.

Secondly, in both the academic literature and the business literature the process sequence, its formal organization and strategy implementation in practice have been described as difficult areas. Farrel and Associates (2002) argue that most organizations see strategic management as a separate activity from management's prime responsibilities and duties. Management focus is described as top-down and start-to-finish; commitment to strategic management is absent. Furthermore strategic management is described as an internal battle ground for inter-departmental conflicts; negotiations and bargaining take place to achieve "organizational peace until the next management session. Thommen and Achleitner (2006) describe within their strategic problem solving process that in practice, the allocation of resources is more based on distribution of power rather than developed corporate strategies. This critical observation is in line with the content of strategy change process research that describes those processes and negotiations as political processes. Welge and Al Laham (2003) confirm this since they describe strategy as a result of a negotiation process for rare resources.

Thommen and Achleitner (2006) argue that a clear concept and other factors steer and control the strategic problem solving process. They see corporate culture and corporate structure as major impact factors. This is in line with Ruhli (1991) and Strong (2005), who describe the existence of interrelationships between strategic processes and structure, participant mix, and institutional culture. Macharzina and Wolf (2005) make the general suggestion that organizations should tune the development of strategy content with the development of strategy process.

In addition to these problems and barriers there are other critical issues, too. Management assumptions, e.g. prediction of future development, focus on formalization – which can have a negative impact on creativity and lateral thinking – as well as a focus on hard data have been described as barriers for strategic management. Most management models also do not consider the irrational behaviour of employees, groups and organizations (Thommen and Achleitner, 2006).

Wilkinson and Pedler (1996) use the term barriers to describe the challenges encountered by executives in practicing strategic management. According to them, the term barriers refer to those manageable influences that can typically derail best intentions with regards to group or committee strategic process development. There are four main barriers. The key is to isolate each barrier in advance of assembling a group, in order to assess the likelihood of any one barrier negatively affecting the outcome. Each barrier, when contained, creates an improved result with an exponentially improved result when all four are addressed and removed. Wilkinson and Pedler (1996) observed that the four main barriers to executive groups creating sustainable and effective strategic direction are as follows: Fear, Cynicism, Ignorance and finally, a combination of Time and Place.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive survey intended to establish the strategic management practices adopted by firms in the wines and spirits industry in Kenya and determine the challenges encountered by those firms in adopting the strategic management practices. A survey is a method of gathering pertinent information about a certain population. It was appropriate in this case of study in order to allow a broad number of firms in the industry to participate for comparison purposes. According to Cooper and Schindler (2003), a study concerned with finding out who, what, which and how of a phenomenon is a descriptive study. This was built on similar grounds.

3.2 Population

The population of this study was all firms in wines and spirits industry in Kenya. There were 31 firms nationwide with the break down of 23 in spirits only, 6 in wines only and 2 in both wines and spirits. Nevertheless, this study targeted all firms in the wines and spirits industry as the setting. This was to ensure uniformity and homogeneity as all firms in wines and spirits industry are created and governed by the excise and stamp duty as provided by the Kenya Revenue Authority. All the 31 firms were studied.

Table 3.1 Study Population

Dealership	**No. of firms**
Spirits only	23
Wines only	6
Wines and spirits	2
Total	**31**

Source: KRA, March 2009

3.3 Data Collection

The study used primary data collected using a semi-structured questionnaire. In order to better understand current strategic management practices adopted by firms in the wines and spirits industry in Kenya, senior officers and where possible, the chief executive officers (CEO) of each of the firms in the wines and spirits industry in Kenya were the key target. The questionnaire was either posted or emailed, 'drop and pick' method was also used where envisaged. The survey questionnaire was divided into three sections. Part A had general information about respondents. Part B solicited information about the strategic management practices adopted by firms in the wines and spirits industry in Kenya while Part C solicited information on challenges encountered by those firms in employing the strategic management practices.

3.4 Data Analysis Technique

Descriptive statistics were used to analyze data. In part A of the questionnaire, data was analyzed using frequency distribution and percentages. Data in part B was analyzed using mean scores and standard deviation. Mean Scores were used to determine the extent to which firms in the wines and spirits industry employed each variable of the strategic management practices. Standard deviations were used to determine the varying degrees of the difference in which the firms practiced each variable of the strategic management practices. A listing of the challenges faced in strategic management as cited by the respondents in part C of the questionnaire were generated and analyzed by use of content analysis.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the analysis and interpretation of the data collected pertaining to the stated research objectives. It explains how the data has been analyzed and the findings. Descriptive statistics were used to analyze data captured and summarized in tables. The findings are summarized and presented in their respective sections covering respondent profiles, the strategic management practices adopted by firms in the wines and spirits industry in Kenya and the challenges of strategic management encountered by firms in the wines and spirits in Kenya.

4.2 Response Rate

To achieve the objectives, primary data was collected by the researcher using a semi-structured questionnaire. One respondent, who were senior officers and where possible, the chief executive officers (CEO) of each of the firms in the wines and spirits industry in Kenya was used. A total of 31 questionnaires were distributed to the target responses. However, only 22 of the target sample population responded bringing the response rate to 71%. The response as per petrol station was as shown in the table below:

Table 4.1 Response Rate

Dealership	No. of Firms	Frequency	Percentage
Spirits only	23	16	70
Wines only	6	4	67
Wines and spirits	2	2	100
Total	**31**	**22**	**71**

Source: (Researcher, 2009)

From the table above, the target response was 31. However, only 22 responded bringing the response rate to 71%.

4.3 General Information on Respondents

Respondent firms were asked to indicate information about their type of establishment and the findings were summarized in the Table 4.2.

Table 4.2 Type of Establishment

Type of establishment	Frequency	Percentage
Manufacturing	3	14
Distribution	7	32
Manufacturing and distribution	12	55
Total	**22**	**100**

Source: (Researcher, 2009)

Findings in Table 4.2 indicate that majority of the respondent firms in the wines and spirits industry are manufacturing and distribution entities (55%). 32% of the respondent petrol firms in the wines and spirits industry concentrate on distribution of the wines and spirits in Kenya. The results also indicate that only 14% of them have concentrated on manufacturing parse.

4.4 Strategic Management Practices

4.4.1 Corporate Mission Statement

Mission statements are a reflection of a company's intent. Respondents were asked to indicate whether their companies had formal mission statements. It was found that all the firms had a formal mission statement. The elements included in the firm's mission statements are shown in the Table 4.3.

Table 4.3 Stated elements in the mission statement

Element in the mission statement	Frequency	Percentage
Customers	6	27
Employees	0	0
To be dominant in the wines and spirits industry	10	45
Shareholders	0	0
Stakeholder expectations	1	5
Financial goals	5	23
Total	**22**	**100**

Source: (Researcher, 2009)

Results in Table 4.3 indicate that a large number of firms in the wines and spirits industry reported elements in their mission statements were dominance in the wines and spirits industry (45%), customers (27%) and financial goals 23%). Stakeholder expectation (5%) was reported from one firm.

When establishing mission statements, respondents were required to indicate the extent to which various groups influenced the formulation of present corporate mission statements. The scores "No influence" and "Small influence" represented "Less influence" (LI) in formulation of the mission statement by the group equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq SE \leq 2.5$). The scores of "Some influence" represented a "Significant influence" (SI) in formulation of the mission statement by the group equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq ME \leq 3.5$). The score of "Large influence" and "Very great influence" represented "Most influence" (MI) in formulation of the mission statement by the group. This was equivalent to 3.6 to 5.0 on the Likert scale ($3.6 \leq LE \leq 5.0$). The research findings are presented as in Table 4.4.

Table 4.4 Influential groups on formulating Firm's current mission statement

Group	Mean	Standard Deviation
Corporate level management	4.5	1.02
Chief executive officer	4.1	1.13
Outside members of the board of directors	3.3	1.08
Second level line managers	3.2	1.16
Corporate planning department	2.8	1.25
Kenyan government laws	1.2	1.35
Other lower levels of management	2.7	1.43

Source: (Researcher, 2009)

Table 4.4 displays the level of influence of different groups on formulating the firm's present mission statements. Results found that corporate level management had the most influence on formulating mission statement rated at a mean score of 4.5 out of a possible 5. This was followed by chief executive officers (4.1) and outside members of the board of directors

(3.3). The least influence in the formulation of corporate mission statements was Kenyan government laws at a mean score of 1.2 out of a possible 5. however, there were statistically significant differences found in the influence level of corporate level management, CEO, outside members of the board of directors, and second level line managers by size aspects as the influence of all these groups had standard deviations of more than one (Std. Dev.>1.0).

4.4.2 Corporate Vision Statement

When the question was asked about having a vision statement, all the respondent firms in the wines and spirits industry reported having a vision statement. It was found that ten (10) of the twenty (22) firms' vision was to be the dominant firm in the wines and spirits industry and three (3) corporate visions were to adhere to stakeholder expectations in Kenya. Respondents were further asked to indicate the extent to which various groups influenced the formulation of present corporate vision statements. The scores "No influence" and "Small influence" represented "Less influence" (LI) in formulation of the vision statement by the group equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq SE \leq 2.5$). The scores of "Some influence" represented a "Significant influence" (SI) in formulation of the vision statement by the group equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq ME \leq 3.5$). The score of "Large influence" and "Very great influence" represented "Most influence" (MI) in formulation of the vision statement by the group. This was equivalent to 3.6 to 5.0 on the Likert scale ($3.6 \leq LE \leq 5.0$). The research findings are presented as in Table 4.5.

Table 4.5 Influential groups on formulating Firm's current vision statement

Group	Mean	Standard Deviation
Founders of the company	2.2	1.16
Corporate level management	4.6	1.25
Chief executive officer	4.5	1.35
Outside members of the board of directors	3.5	1.43
Second level line managers	2.7	1.30
Corporate planning department	3.0	1.41
Kenyan government laws	1.2	1.36
Other lower levels of management	2.5	1.06

Source: (Researcher, 2009)

Table 4.5 shows the influential groups on formulating firms in the wines and spirits indutsry current vision statements. Corporate level management with a mean score of 4.6 had the most influence on formulating vision statements followed by the CEO (4.6), and outside members of the board of directors (3.5) respectively. Second level management (2.7) and corporate planning department (3.0) also had a lower influence on formulating vision statements. There were significant differences found in the influence level of corporate planning department and other lower levels of managements as they all had standard deviations of more than one (Std. Dev.>1.0).

4.4.3 Corporate long term goals

All the 22 respondent firms reported having long term goals. It was found that goals such as return, profit, income and cash flow were goals for all the firms. Table 4.6 displays the major groups which influence the long term goals for these firms. The chief executive officer and the corporate level management had the most influence on firms in the wines and spirits indutsry long term goals. Six firms which a corporate planning department had reported that their corporate planning department also had a high influence on their long term goals. It was found that the influence of outside board of directors in foreign owned firms was very low compared to locally owned firms.

Table 4.6 Groups influence on the formulation of long-term goals

Group	Mean	Standard Deviation
Corporate level management	4.4	0.82
Chief executive officer	4.6	0.99
Outside members of the board of directors	2.4	1.32
Second level line managers	3.0	0.97
Corporate planning department	4.0	1.24
Kenyan government laws	1.9	1.15
Other lower levels of management	3.1	0.85

Source: (Researcher, 2009)

Table 4.7 Processes of formulating long-term goals

Response	Frequency	Percentage
Formulated for the company by the chief executive officer	1	5
Formulated for the company by the corporate level management	2	9
Formulated for the company by the board of directors	1	5
Aggregation of the goals developed by second level management	1	5
Negotiation process between the corporate level/board of directors group and second level management	7	32
Negotiation process between the chief executive officer and key advisors	2	9
Negotiation process between the chief executive officer and corporate level management	8	36
Total	**22**	**100**

Source: (Researcher, 2009)

Table 4.7 shows the processes of formulating long term goals in the firms. In 6 of the 22 firms, long term corporate goals were created through a negotiation process between the chief executive officer and the corporate level management and those 8 firms included 4 dealing in both wines and spirits, 2 dealing in wines only and another 2 dealing in spirits only. It was found that in 7 firms, long term corporate goals were created through a negotiation process between the corporate level, board of directors and second level management.

4.4.4 Planning Systems

When asked whether firms had formalized strategic planning systems at corporate and second levels of management, it was found that 21 of the total of 22 firms had a formalized strategic planning system at their corporate level and only one firm dealing in spirits only reported not having a formalized planning system at its corporate level. For the second level, only five firms having a formalized planning system at the second level and those firms included two dealing in both wines and spirits and two dealing in wines only. As a strategic management practice, their exists a relationship between corporate level and second level planning plans. Respondent were requested to indicate the two plans in their firms and they gave the following.

Table 4.8 Relationship between the plans

Relationship	Frequency	Percentage
Prepared independently and not coordinated	-	-
Longer term plan prepared first, shorter term plan then fitted into longer term plan	19	86
Shorter-term plan prepared first, longer-term plan then extended	2	9
Shorter term plan prepared first, longer term plans are then modified from previous year.	-	-
Short and long term plans prepared simultaneously	1	5
Total	**22**	**100**

Source: (Researcher, 2009)

Table 4.8 reveals the relationship between the longer term and shorter term plans of the firms in the wines and spirits industry. It was found that in 19 of the total of 22 firms, longer term plans were prepared first and shorter term plans then fitted into long term plans. In one firm dealing in spirits only, short term and long term plans were prepared simultaneously and two firms dealing in wines only prepared short term plans for 1-3 years and then the long term plans extended from the short term plans.

4.4.5 Update and progress review of corporate plans

Table 4.9 shows how often corporate plans are updated by the firms.

Table 4.9 Update of corporate plans

Period	Frequency	Percentage
Six monthly	5	23
Every Year	11	50
Every 1-2 years	2	9
Every three Years	2	9
Every five years	2	9
Total	**22**	**100**

Source: (Researcher, 2009)

From Table 4.9, 11 of the 22 firms updated their corporate plans every year and 5 firms reported updating their corporate plans every six months. Firms which update their corporate plans every six months included 2 dealing in spirits only, one dealing in both wines and spirits and one dealing in wines only. Table 4.10 reveals the frequencies of reviewing the progress of corporate plans by these firms.

Table 4.10 Frequency of reviewing the progress of corporate plans

Period	Frequency	Percentage
Monthly	2	9
Quarterly	4	18
Six monthly	8	36
Yearly	8	36
Total	**22**	**100**

Source: (Researcher, 2009)

It was found that 2, 4, 8 and 8 firms review the progress of their corporate plans monthly, quarterly, six monthly and every year respectively.

4.4.6 Analytical tools and techniques which influence firm's strategies

Table 4.11 shows to what extent the environment, resource analysis and planning techniques are of importance for effective strategy in the wines and spirits industry.

Table 4.11 Analytical tools and techniques which influence firm's strategies

	Mean	Std. Deviation
PEST analysis (political, economic, social, technological)	4.2	0.6
Five forces analysis	4.2	0.3
SWOT analysis (Strengths, Weaknesses, Opportunities, Threats)	4.5	0.3
Key success factors	3.5	0.5
Product life cycle analysis	3.5	0.6
Portfolio and strategy analysis	2.8	1.3
ETOP and SAP analysis	2.5	1.4
BCG service portfolio matrix	2.8	0.9
7-S Framework (7S- Mickinsey excellent factors)	2.3	1.6

Source: (Researcher, 2009)

According to the firms, SWOT analysis was most important on the firms' corporate strategies rated at a mean score of 4.5 out of a possible 5 followed by five forces and PEST analysis both with a mean score of 4.2. Results also found that key success factors, product life cycle of the wines and spirits, product market, portfolio and strategy analysis also had a reasonable influence on corporate strategies in these firms. Table 4.11 also displays to what extent planning techniques were of importance to the firms' strategies. Results found that BCG service portfolio matrix had the highest influence on the firms'. Similarly, 7-S framework was of little importance on the firms' strategies more specifically those dealing in spirits only. There were significant differences to the extent to which these tools are of importance to effective strategy for the firms as all the tools had a standard deviation of less than one (Std. Dev.<1.0).

4.5 Challenges to Strategic Management

Respondents were requested to rate the extent to which the challenges identified were a a barrier to strategic management to the firms. The findings are indicated in Table 4.11. Data was analyzed using frequency distributions and percentages for the dichotomous questions and content analysis was used for the open ended part that required respondents to provide additional challenges experienced. For the five point Likert scale questions, Mean Scores (MSc.) and Standard Deviations (Std. Dev.) were used to analyze the captured data. Mean Scores were used to determine the extent to which each challenge was a barrier to strategic management on a five point Likert scale ranging from "not challenging at all" (1) to "extremely challenging" (5). Standard deviations were used to determine the varying degrees of the difference in which the challenges were a barrier to strategic management by the firms in the wines and spirits industry.

The scores "not challenging at all" and "less challenging" represented a barrier that was "Less Challenging" (LC), equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq SE \leq 2.5$). The scores of "somehow challenging" represented a barrier that was "Moderately Challenging" (MC). This was equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq ME \leq 3.5$). The score of "challenging" and "Extremely challenging" represented a barrier that was "Most Challenging" (MTC). This was equivalent to 3.6 to 5.0 on the Likert scale ($3.6 \leq LE \leq 5.0$). The research findings are presented as follows:

Table 4.11 Challenges to Strategic Management Practices

Challenges	Mean	Std. Deviation
Limited Financial resources	4.3	0.6
Building strategy supportive culture	4.4	0.3
Galvanizing organization wide commitment	4.3	0.3
Implementing strategy supportive policies	4.2	0.5
Internal administrative support systems	4.3	0.6
Gathering strategy critical information	3.3	1.0
Managing resistance to change	3.3	1.2
Supportive organizational structure	4.3	0.5
Stringent government policies and regulations	3.0	1.3
Matching the organizational structure to strategy	3.0	1.4
National Political activities	3.7	0.5
State of the national economy	2.7	1.6
Communicating the strategy to all staff	3.8	0.7

Source: (Researcher, 2009)

The results in Table 4.11 indicate that building a culture that is supportive to strategic management practices, limited financial resources, galvanizing organization wide commitment to the adopted strategic management practices, establishing an organizational structure that could accommodate the requisite practices as well as communicating adopted strategic management practices to all staff were most challenging rated at mean scores greater than 3.6 (MSc.>3.6). However the degree of variability of the extent of the challenges differs significantly as with gathering strategy critical information, managing resistance to change and stringent government policies and regulations given the standard deviations of more than one (Std. Dev.>1.0).

Only two firms reported experiencing problems specifically as a result of using their current planning systems. The major problems they experienced were lack of participative decision making processes and lack of strategic thinking at the top level. Both firms in the wines and spirits industry believed that their planning system needs to be changed in order to deal with the problems they experienced and these firms in the wines and spirits industry think their planning process should be an on-going process and there should be a system to discuss the changes.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings, discussions, conclusions and recommendations drawn. The chapter also provides recommendations for policy and practice.

5.2 Summary, Discussions and Conclusions

The first objective was to establish the strategic management practices adopted by firms in the wines and spirits industry in Kenya. Strategic management entails formulation of corporate mission and vision statements, setting of organizational goals as well as adoption of appropriate strategies. It was found out that chief executive officers were involved to a great extent in the development of corporate goals, missions, objectives, alternative corporate strategies, and evaluation and approval of the corporate plans, and having planning as a philosophy in the firms. The involvement of the board of directors in the corporate planning process in firms dealing in spirits only was low compared to those dealing in both wines and spirits.

Furthermore, the board of directors in firms dealing in both wines and spirits were more supportive than the board of directors dealing in either wines only or spirits only. It was found that chief executive officer had the greatest influence on the format of corporate plan, assumption used in the final corporate plan, objectives embodied in the final corporate plan, approval of the final corporate plan, and development of missions for second level units while corporate planning department had a reasonably high influence and the outside board of directors had less influence. It was also found that top second level line managers had a reasonably high influence only for development of missions for second level units.

All the 22 respondent firms reported having long term goals. It was found that goals such as return, profit, income and cash flow were goals for all the firms. Table 4.6 displays the major groups which influence the long term goals for these firms. The chief executive officer and the corporate level management had the most influence on firms in the wines and spirits industry long term goals. Six firms which a corporate planning department had reported that their corporate planning department also had a high influence on their long term goals. It was found that the influence of outside board of directors in foreign owned firms was very low compared to locally owned firms. In 6 of the 22 firms, long term corporate goals were created through a negotiation process between the chief executive officer and the corporate level management and those 8 firms included 4 dealing in both wines and spirits, 2 dealing in wines only and another 2 dealing in spirits only. It was found that in 7 firms, long term corporate goals were created through a negotiation process between the corporate level, board of directors and second level management.

It was found out that 21 of the total of 22 firms had a formalized strategic planning system at their corporate level and only one firm dealing in spirits only reported not having a formalized planning system at its corporate level. For the second level, only five firms having a formalized planning system at the second level and those firms included two dealing in both wines and spirits and two dealing in wines only. As a strategic management practice, their exists a relationship between corporate level and second level planning plans. It was found that in 19 of the total of 22 firms, longer term plans were prepared first and shorter term plans then fitted into long term plans. In one firm dealing in spirits only, short term and long term plans were prepared simultaneously and two firms dealing in wines only prepared short term plans for 1-3 years and then the long term plans extended from the short term plans.

Furthermore, it was found out that 11 of the 22 firms updated their corporate plans every year and 5 firms reported updating their corporate plans every six months. Firms which update their corporate plans every six months included 2 dealing in spirits only, one dealing in both wines and spirits and one dealing in wines only. 2, 4, 8 and 8 firms review the progress of their corporate plans monthly, quarterly, six monthly and every year respectively.

According to the firms, SWOT analysis was most important on the firms' corporate strategies rated at a mean score of 4.5 out of a possible 5 followed by five forces and PEST analysis both with a mean score of 4.2. Results also found that key success factors, product life cycle of the wines and spirits, product market, portfolio and strategy analysis also had a reasonable influence on corporate strategies in these firms. Results found that BCG service portfolio matrix had the highest influence on the firms'. Similarly, 7-S framework was of little importance on the firms' strategies more specifically those dealing in spirits only. There were significant differences to the extent to which these tools are of importance to effective strategy for the firms.

Building a culture that is supportive to strategic management practices, limited financial resources, galvanizing organization wide commitment to the adopted strategic management practices, establishing an organizational structure that could accommodate the requisite practices as well as communicating adopted strategic management practices to all staff were most challenging in the firms.

5.3 Limitations of the Study

One major limitation of the study was the fact that due to time limits, this study interviewed only one respondent from each of the firms and therefore, the responses received for this study may be affected by personal biases. Thus, the lack of interviews with lower level managers can be highlighted as a limitation of this research.

Secondly, in some firms, chief executive officers were not available to respond to the questionnaires. As a result, the researcher was forced to use other officers other than the chief executive officers. Thirdly, the time allocated for the study was limited. The environmental changes are still taking place presenting various competitive elements for the firms, which might demand for different practices.

5.4 Recommendations for Policy and Practice

The process of developing organizational strategy in these firms must be iterative. It involves toggling back and forth between questions about objectives, implementation planning and resources. An initial idea about corporate objectives and goals may have to be altered if there is no feasible implementation plan that will meet with a sufficient level of acceptance among the full range of stakeholders, or because the necessary resources are not available, or both.

Even the most talented manager would no doubt agree that "comprehensive analysis is impossible" for complex problems. Formulation and implementation of strategy must thus occur side-by-side rather than sequentially, because strategies are built on assumptions which, in the absence of perfect knowledge, will never be perfectly correct. Strategic management is necessarily a "repetitive learning cycle [rather than] a linear progression towards a clearly defined final destination. While assumptions can and should be tested in advance, the ultimate test is implementation. You will inevitably need to adjust corporate objectives and/or your approach to pursuing outcomes and/or assumptions about required resources. Thus a strategy will get remade during implementation because "humans rarely can proceed satisfactorily except by learning from experience; and modest probes, serially modified on the basis of feedback, usually are the best method for such learning.

It serves little purpose (other than to provide a false aura of certainty sometimes demanded by corporate strategists and planners) to pretend to anticipate every possible consequence of a corporate decision, every possible constraining or enabling factor, and every possible point of view. At the end of the day, what matters for the purposes of strategic management is having a clear view – based on the best available evidence and on defensible assumptions – of what it seems possible to accomplish within the constraints of a given set of circumstances. As the situation changes, some opportunities for pursuing objectives will disappear and others arise. Some implementation approaches will become impossible, while others, previously impossible or unimagined, will become viable.

The essence of being “strategic” thus lies in a capacity for "intelligent trial-and error" rather than linear adherence to finally honed and detailed strategic plans. Strategic management will add little value if organizational strategies are designed to be used as a detailed blueprints for managers. Strategy should be seen, rather, as laying out the general path - but not the precise steps - by which an organization intends to create value. Strategic management is a question of interpreting, and continuously reinterpreting, the possibilities presented by shifting circumstances for advancing an organization's objectives. Doing so requires strategists to think simultaneously about desired objectives, the best approach for achieving them, and the resources implied by the chosen approach. It requires a frame of mind that admits of no boundary between means and ends.

5.5 Suggestions for Further Research

Given that the study focused on one industry, a similar kind of questionnaire and research approach can be used to investigate the strategic management practices of other industries and sector in Kenya such as insurance companies, banking and non banking lending companies, leasing companies etc.

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APPENDICES

Appendix 1: Introductory Letter

Stephen N. Mwitari,
School of Business,
University of Nairobi,
P.O Box 30197,
NAIROBI.
August 2009

Dear Respondent,

RE: <u>COLLECTION OF SURVEY DATA</u>

I am a postgraduate student at the University of Nairobi, school of business. In order to fulfill the degree requirements, I am undertaking a management research project on the strategic management practices of firms in the wines and spirits industry in Kenya. You have been selected to form part of this study. This is kindly to request you to assist me collect the data by filling out the accompanying questionnaire, which I will collect from your premises.

The information you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence. At no time will you or your organization's name appear in my report. A copy of the final paper will be availed to you upon request.

Your co-operation will be highly appreciated and thank you in advance.

Yours faithfully,

<u>STEPHEN N. MWITARI</u>
MBA STUDENT
UNVERSITY OF NAIROBI

<u>MARTIN OGUTU</u>
LECTURER/SUPERVISOR
UNVERSITY OF NAIROBI

Appendix 2: Research Questionnaire

Part A: General Information

1. Name of the firm ____
2. Year of establishment ____
3. Type of establishment: Manufacturing ( )

   Distribution ( )

   Manufacturing and distribution ( )

Part B: Strategic Management Practices

4. Does your company have a formal mission statement?

   Yes ( )

   No ( )

5. Could you please describe your current company's mission statement? (if more than one please state all)

   a) Customers ( )

   b) Owners ( )

   c) Employees ( )

   d) To be dominant in the wines and spirits industry ( )

   e) Shareholders ( )

   f) Stakeholder expectations ( )

   g) Financial goals ( )

6. On a scale of 1 to 5, how much have the following groups influenced the formulation of your present corporate mission, where

1 - No influence

2 - Small influence

3 - Some influence

4 - Large influence

5 - Very great influence

	1	2	3	4	5
Corporate level management	( )	( )	( )	( )	( )
Chief executive officer	( )	( )	( )	( )	( )
Outside members of the board of directors	( )	( )	( )	( )	( )
Second level line managers	( )	( )	( )	( )	( )
Corporate planning department	( )	( )	( )	( )	( )
Kenyan government laws	( )	( )	( )	( )	( )
Other lower levels of management	( )	( )	( )	( )	( )

7. Does your firm have a vision statement?

Yes ( )

No ( )

8. On a scale of 1 to 5, how much have the following groups influenced the formulation of your present vision of the company where

1 - No influence

2 - Small influence

3 - Some influence

4 - Large influence

5 - Very great influence

	1	2	3	4	5
a) Founders of the company	( )	( )	( )	( )	( )
b) Corporate level management	( )	( )	( )	( )	( )
c) Chief executive officer	( )	( )	( )	( )	( )
d) Outside members of the board of directors	( )	( )	( )	( )	( )
e) Second level line managers	( )	( )	( )	( )	( )

f) Corporate planning department ( ) ( ) ( ) ( ) ( )

g) Kenyan government laws ( ) ( ) ( ) ( ) ( )

h) Other lower levels of management ( ) ( ) ( ) ( ) ( )

i) Others (please specify) ________________________________

9. Does your company have formal corporate long-term goals, which it seeks to achieve?

Yes ( )

No ( )

10. On a scale of 1 to 5, how much have the following groups influenced the formulation of your present company long term- goals, where

1 - No influence

2 - Small influence

3 - Some influence

4 - Large influence

5 - Very great influence

	1	2	3	4	5
Corporate level management	( )	( )	( )	( )	( )
Chief executive officer	( )	( )	( )	( )	( )
Outside members of the board of directors	( )	( )	( )	( )	( )
Second level line managers	( )	( )	( )	( )	( )
Corporate planning department	( )	( )	( )	( )	( )
Kenyan government laws	( )	( )	( )	( )	( )
Other lower levels of management	( )	( )	( )	( )	( )

Others (please specify) ________________________________

11. Which of the following best reflects the process for formulating company long-term goals? (Please select one of the following)

a) Formulated for the company by the chief executive officer ( )

b) Formulated for the company by the corporate level management ( )

c) Formulated for the company by the board of directors ( )

d) Aggregation of the goals developed by second level management ( )

e) Negotiation process between the corporate level/board of directors group and second level management ( )

f) Negotiation process between the chief executive officer and key advisors ( )

g) Negotiation process between the chief executive officer and corporate level management ( )

Others (Please specify)____________________________

12. Does your company have a formalized strategic planning system at?

Corporate level	Yes	( )	No	( )
Second level	Yes	( )	No	( )

13. What is the relationship between these plans? (Please select one)

a) Prepared independently and not coordinated ( )

b) Longer term plan prepared first, shorter term plan then fitted into long-term plan ( )

c) Shorter-term plan prepared first, longer-term plan then extended ( )

d) Shorter term plan prepared first, longer term plans are then modified from previous year. ( )

e) Short and long term plans prepared simultaneously ( )

14. How often is your corporate plan updated? (please select one of the following)

a) Monthly ( )

b) Quarterly ( )

c) Six monthly ( )

d) Yearly ( )

e) Other (Please specify)____________________________

15. How frequently is progress reviewed against this plan?

a) Monthly ( )

b) Quarterly ( )

c) Six monthly ( )

d) Yearly ( )

16. In strategic management, various analytical tools are used for effective strategy. On a scale of 1 to 5, where 1= not important, 2= fairly important , 3= moderately important, 4= important and 5= very important, indicate the extent to which your firm considers the following:

	1	2	3	4	5
Availability of experienced personnel	( )	( )	( )	( )	( )
Price indices	( )	( )	( )	( )	( )
Consumer preferences	( )	( )	( )	( )	( )
Entry of other firms in the industry	( )	( )	( )	( )	( )
Government regulation	( )	( )	( )	( )	( )
Pending legislation	( )	( )	( )	( )	( )
Exchange rates	( )	( )	( )	( )	( )
Environmental protection laws	( )	( )	( )	( )	( )
Taxation policy	( )	( )	( )	( )	( )
Foreign trade regulations	( )	( )	( )	( )	( )
Government stability	( )	( )	( )	( )	( )
Business cycles of your wines and spirits	( )	( )	( )	( )	( )
Kenya's GDP trends	( )	( )	( )	( )	( )
Money supply in the country	( )	( )	( )	( )	( )
Unemployment levels in the country	( )	( )	( )	( )	( )
Population demographics	( )	( )	( )	( )	( )
Income distribution in the country	( )	( )	( )	( )	( )
Consumerism	( )	( )	( )	( )	( )
New discoveries/development	( )	( )	( )	( )	( )
Identifying the key success factors in an industry	( )	( )	( )	( )	( )

Part C: Challenges to Strategic Management

17. Various challenges exist against the practice of strategic management. On a scale of 1 to 5, where 1= not challenging at all, 2= less challenging, 3= somehow challenging, 4= challenging and 5= extremely challenging, indicate the extent to which the following were challenging to your firm in adopting the strategic management practices by your company.

	1	2	3	4	5
a) Limited Financial resources	( )	( )	( )	( )	( )
b) Building strategy supportive culture	( )	( )	( )	( )	( )
c) Galvanizing organization wide commitment to the strategic plan	( )	( )	( )	( )	( )
d) Implementing strategy supportive policies and procedures	( )	( )	( )	( )	( )
e) Internal administrative support systems	( )	( )	( )	( )	( )
f) Managing resistance to change	( )	( )	( )	( )	( )
g) Building a strategy supportive organizational structure	( )	( )	( )	( )	( )
h) Stringent government policies and regulations	( )	( )	( )	( )	( )
i) Matching the organizational structure to strategy	( )	( )	( )	( )	( )
j) National Political activities	( )	( )	( )	( )	( )
k) State of the national economy	( )	( )	( )	( )	( )
l) Communicating the strategy to all staff	( )	( )	( )	( )	( )

Apart from the above mentioned challenges, please indicate the challenges faced by your company in adopting the strategic management practices

1. --

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2. --

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3. --

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4. --

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5. --

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6. --

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7. --

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8. --

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9. --

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10. --

THANKS SO MUCH FOR YOUR COOPERATION

Appendix 3: Firms in the wines and spirits industry in Kenya as at March 2009

A: Firms dealing in spirits only

1. Africa Spirits
2. Africane Distillers
3. Dublin Beverages
4. Duke Beverages
5. Eagle Distillers
6. Edermann Co. Kenya Ltd
7. Edwell Merchadise
8. Global Beverages
9. Hari Distributors
10. Horizonel Frontiers
11. Mega Distillers
12. Mohan Meakin (K) Ltd
13. Nico Wines
14. Peacock Products
15. Pondo Park
16. Ponu Monu Supplies
17. Q-Jump
18. Top Rank Industries
19. UDV Kenya Ltd
20. Unique Distillers
21. United Wines
22. Victoria Distillers
23. Zesta Industries

B: Firms dealing in Wines only

1. Ambuka Wineries
2. Fai Amarillo
3. Montana Beverages
4. Nairobi Vinters

5. Nganjo Olchani (K) Ltd
6. Tornado Holdings

C: Firms dealing in both wines and spirits

1. Kenya Wine Agencies Ltd.
2. Keroche Industries