

**STRATEGIC RESPONSES BY EAST AFRICAN BREWERIES
LIMITED TO CHANGES IN THE EXTERNAL ENVIRONMENT**

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DECLARATION

This research project is my original work and has not been presented for an academic award in any other institution of higher learning.

Signature.....

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

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DEDICATION

I dedicate this work to my dear and loving wife Michelle, my children Keith, Karl and Leo for their love, support, patience and encouragement.

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My sincere gratitude goes to Almighty God for the much needed strength, courage and health he has given me to carry out my research. I am very grateful to my supervisor Dr. Gakuru Wahome for the intellectual advice and encouragement that he has given me. I also thank the entire administration and management of the University of Nairobi for their co-operation and all those who have sacrificed their time towards the contribution of this noble duty. I am deeply indebted to many others whom I have consulted in the course of preparing this proposal. I thank them for being supportive and co-operative in various ways.

ABSTRACT

The aim of this study is to determine the strategic responses employed by East African Breweries Limited to changes in the external environment. Specifically the study seeks to investigate the main strategic responses by East African Breweries Limited to changes in the external environment; to understand how East African Breweries Limited has employed these strategies to counter the external forces working against its operations and to ascertain the challenges faced by East African Breweries Limited in responding to changes in the external environment.

The study adopted a case study design. The research involved all senior unit managers at EABL. EABL is made up of seven operating units i.e. Kenya Breweries Ltd, Uganda Breweries Ltd, Serengeti Breweries Limited, International Distillers Uganda Ltd, Central Glass industries Ltd, Kenya Maltings Ltd and United Distillers and Vintners Kenya Ltd UDV (K). The study involved 2 respondents from each operating unit so as to get from them strategic responses employed by EABL in countering changes in the external environment. The data collected from the respondents was qualitative in nature. The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnect as was indicated by the respondents.

The study findings indicated that EABL units have adopted two types of responses namely anticipatory approach which are driven by research on consumer and market trends and respective responses designed in order to maintain competitive advantage and stay ahead of the consumers and reactive approach which are driven by events happening in the market place that require responses ranging from competitor activities and changes in regulatory environment. The study therefore concludes that EABL continuously reviews/scans its environment and responds to the changes in the external environment based on potential impact of each change.

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TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
LIST OF TABLES	viii
ABBREVIATIONS AND ACRONYMS	ix
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 The Concept of Strategy	2
1.1.2 External Environment and Strategic Response	3
1.1.3 Alcohol Beverage Industry in Kenya	5
1.1.4 East African Breweries Limited	6
1.2 Research Problem.....	7
1.3 Study Objective.....	8
1.4 Importance of the study	8
CHAPTER TWO: LITERATURE REVIEW.....	10
2.1 Introduction.....	10
2.2 Organization & Environmental Impacts.....	10
2.3 Strategic Responses.....	12
2.4 Changes in the External Environment	14
2.5 Degree of Competitiveness.....	16
CHAPTER THREE: RESEARCH METHODOLOGY	17
3.1 Introduction.....	17
3.2 Research Design.....	17
3.3 Study Population	17
3.4 Data Collection Procedure	18
3.5 Data Analysis.....	18
CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION	19
4.1 Introduction.....	19
4.2 Response Rate	19
4.3 Background information of the respondents.....	19
4.4 Strategic Responses by EABL	23
4.4.1 EABL vision and mission to changes in the external environment	23
4.4.2 PESTEL influence in EABL's Strategic Responses	24
4.4.3 EABL effectiveness at implementing strategic responses	32
4.5 How EABL responds to changes in external environment	33

4.5.1 Elements that influence the strategies adopted by EABL.....	33
4.5.2 Other factors that influence the strategies adopted by EABL.....	37
4.6 Challenges of Strategic Responses.....	37
4.6.1 Influence from the board of directors	37
4.6.2 Politics and struggle for dominance between Board of Directors.....	38
4.6.3 Availability of resources at EABL disposal.....	38
4.6.4 Level of technological changes within the alcohol beverage sector	39
4.6.5 Channels of communication between senior managers and lower level staff ..	40
4.6.6 Resistance from lower level staff, distributors and Board of Directors	40
4.6.7 Lack of effective strategy evaluation mechanisms.....	41
4.6.8 Influence from the regulators	42
4.6.9 Fear of retaliation from competitors.....	42
4.6.10 Other challenges EABL faces in strategic responses	43
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	44
5.0 Introduction of Findings	44
5.1 Summary.....	44
5.2 Conclusions.....	47
5.3 Recommendations	49
5.3.1 Recommendations on policy	49
5.3.2 Suggestions for further research.....	49
REFERENCES.....	51
APPENDICES.....	54
Appendix I: Letter of Introduction	54
Appendix II: Interview Guide	55

LIST OF TABLES

Table 4.1: Response Rate	19
Table 4.2: Distribution of respondents by Gender.....	19
Table 4.3: Distribution of the respondents by age	20
Table 4.4: Distribution of the respondents by Education level	20
Table 4.5: Years worked in EABL	21
Table 4.6: Distribution of the respondent by Career orientation.....	21
Table 4.7: Distribution of the respondent by Designation	22

ABBREVIATIONS AND ACRONYMS

BCLB	-	Betting Control and Licensing Board
CGI	-	Central Glass Industries
DMC	-	Diageo Marketing Code
DMS	-	Distributor Management System
EABL	-	East African Breweries Limited
EPZA	-	Export Processing Zone Authority
FDI	-	Foreign Direct Investment
GP	-	Gross Profit
GRL	-	Great Lakes
NACADA	-	The National Authority for Campaign against Alcohol and Drug Abuse
ROI	-	Return on Investment
RTM	-	Route To Market
SAP	-	Systems Application and Products
SME	-	Small and Medium Enterprises
UDV (K)	-	United Distillers and Vintners Kenya

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In the global competitive business scenario, organizations have been facing many changing challenges caused by globalization, liberalization, technological advancements, and changing customers' technological-driven expectations (Moreno *et al.*, 2005). Organizations have been facing a dynamic business environment that is technologically driven, globally unbounded, and customer oriented. These challenges, among many others, called for extensive search for suitable strategies to be adopted by organizations for growth and survival in the changing and turbulent marketplace (Al-Mansour, 2007).

Hofer & Schendel (1979) define strategy as the basic characteristic of the match an organization achieves with its environment. According to Porter (1998), the purpose of competitive strategy is to achieve a sustainable competitive advantage and thereby enhance a business performance. As such competitive marketing strategy serves to improve financial performance of the firm through the route of sustainable competitive advantages (Bharadwaj, 1993). Porter (1980) points out that a firm must formulate a business strategy that incorporates cost leadership, differentiation or focus in order to achieve a sustainable competitive advantage and long-term success in its chosen arenas.

Schoemaker (2002) asserts that competition is at the core of success or failure of firms. To create and maintain a sustainable competitive advantage, the firm must adapt its strategy in accordance with changes in the industry (Barney, 2002; Collins and Porras, 1996; & Porter, 1980). In many circumstances, the environment today is highly uncertain, but there are opportunities to profit from balancing robust and flexible strategies. Therefore, managers should be highly competent in developing and adjusting the company's competitive strategy especially in companies in an emerging market with limited transferable assets that have to compete with global companies (Dawar and Forst, 1999). To create a sustainable competitive advantage, the firm must adapt its strategy in accordance with changes in industry (Uksvarav, 2004).

A firm's competitive strategy deals exclusively with the specifics of management's game plan for competing successfully with its specific efforts to please customers, its offensive and defensive moves to counter the maneuvers of rivals, its responses to whatever market conditions prevail at the moment, its initiatives to strengthen its market position, and its approach to securing a competitive advantage vis-a-vis rivals (Porter, 1998). Companies worldwide are imaginative in conceiving competitive strategies to win customer favor. According to Kiptugen (2003), companies aim to simply do a significantly better job than rivals of providing what buyers are looking for and thereby secure an upper hand in the marketplace.

Mintzberg (2009) affirms that a firm achieves competitive advantage whenever it has some type of edge over rivals in attracting buyers and coping with competitive forces. There are many routes to competitive advantage, but they all involve giving buyers what they perceive as superior value compared to the offerings of rival sellers. Superior value can mean a good product at a lower price, a superior product that is worth paying more for or a best-value offering that represents an attractive combination of price, features, quality, service, and other appealing attributes.

1.1.1 The Concept of Strategy

The origin of concept of strategy is said to be from the Greek word 'stratego', meaning to plan the destruction of one's enemies through effective use of resources (Bracker, 1980). The concept was developed purely on the basis of war. This concept remained a military one until after the nineteenth century when it began to be employed to the business class. Some scholars think however, that the time when the term began to be employed to the business is untraceable (Burnes, 1996). There is no single universally accepted definition of strategy. However, there are several definitions from different authors that capture the meaning of the concept.

Johnson and Scholes, (1999) state that strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within changing environment to meet the needs of the market

and fulfill stakeholders expectations. The organizational environment is always changing and for an organization to enhance its competitive advantage, it must reconfigure its resources to match the change. The changes could be mild or turbulent but they must be matched accordingly by appropriate strategy. Failure to do this will result, according to this definition, in market needs not being met by the organization's activities and resources (Mercer, 2008).

Ansoff, (2000) defines strategy as the product market scope of a company. This refers to a decision of what to produce, in what market. If the environment is stable, an organization can operate without changing its product-market focus. However, if the environment changes, this would require changes in the organization's product-market focus that is, its strategy. Uksvarav (2004) asserts that strategy is creating a fit among company activities. If there is no fit among activities, there is no distinctive strategy and sustainability. The company's activities include its effective interaction with the environment in that these activities are geared towards serving the external environment.

From these discussions, it can be noted how interrelated the organizations and their external environment are, as this is where the organizations outputs are discharged and where inputs come from. It can also be noted that the company must discharge those outputs that meet the needs of the external environment. This external environment is always changing, sometimes more turbulently than other times. Consequently, the organization must not only configure its resources to meet these needs but must develop foresight, flexibility and speed in order to respond to these changes in a timely manner.

1.1.2 External Environment and Strategic Response

Many companies are surprised by changes in the external environment. Perhaps the greatest tumult for today's organizations has been created by the rapid expansion of e-commerce (Moreno *et al.*, 2005). Thus, organizational environment is defined as all elements that exist outside the boundary of the organization and have the potential to affect all or part of the organization (Porter, 1998). The environment of an organization can be understood by analyzing its domain within external sectors. An organization's

domain is the chosen environmental field of action. It is the territory an organization stakes out for itself with respect to products, services, and markets served. Domain defines the organization's niche and defines those external sectors with which the organization will interact to accomplish its goals (Uksvarav, 2004).

According to Schoemaker (2002), to succeed long term, organizations must compete effectively and out-perform their rivals in a dynamic environment. To accomplish this they must find suitable ways for creating and adding value for their customers. Strategic management is a highly important element of organizational success. The need to know what the business is about, what it is trying to achieve and which way it is headed, is a very basic requirement determining the effectiveness of every member's contribution. Every successful organization has this business self-awareness and every successful business seems to have this clarity of vision, even though it does not arise from a formal planning process companies (Dawar and Forst, 1999).

Aosa (2008) asserts that strategy is creating a fit between the external characteristics and the internal conditions of an organization to solve a strategic problem. The strategic problem is mismatch between the internal characteristics of an organization and its external environment. The matching is achieved through development of organization's core capabilities that are correlated to the external environment well enough to enable the exploitation of opportunities existing in the external environment and to minimize the impact of threats from the external environment. Strategy is therefore required for an organization to obtain viable match between its external environment and its internal capabilities. It must also continuously and actively adapt the organization to meet the demands of the ever changing environment (Ginter and Duncan, 2006).

Today's organizations have to deal with dynamic and uncertain environments. In order to be successful, organizations must be strategically aware. They must understand how changes in their competitive environment are unfolding (Thompson, 1997). They should actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business, building on awareness and understanding of current strategies and successes. Organizations must be able to act quickly in response to opportunities and barriers (Ansoff, 2000).

1.1.3 Alcohol Beverage Industry in Kenya

Kenya has a flourishing beer industry producing high quality beer recognized internationally. This has been possible due to factors such as good climate for agro production, availability of barley, affordable labour, local market (beer per capital consumption at 14 litres), access to the regional markets like COMESA and the East African Community. Kenya's strategic location in the East African coast provides accessibility to the East and Central African markets via International seaport/airport. The Kenya government has additionally set up investor friendly centres such as the Export Processing Zones Authority and the Investment Promotion Centre to facilitate investors setting up projects in Kenya. Furthermore, investor friendly policies in place include the liberalization of marketing and processing of cereals and other agro produce, removal of duties on importation of farm inputs and free repatriation of capital and profits (Export Processing Zone Authority, 2011).

Beer industry in Kenya dates back to 1922 when two brothers from England, George and Charles Hurst, started brewing beer in Kenya. The two formally incorporated their business as a private company under the name of Kenya Breweries Ltd. In 1929 the first malted barley beer was brewed and the first hatch delivered to New Stanley Hotel where it was opened with mixed reaction. In 1930, the first lager beer was brewed and released into the market. By 1938 the company was recognized for its beer after it won the first brewing award in an international competition. Bottled beer consumption was exclusive for whites in postcolonial era until 1947 when Africans were allowed to drink formal sector beer. Currently, Kenya barley investment infrastructure stands at around Kshs 1.9 billion (EPZA, 2011).

Beer & barley can be considered as one of economic sub-sectors inherited from the colonial era. The market prospects within East Africa region are expected to rise as the sector focuses on innovation in the businesses and working with the respective governments in trying to reduce excise duty that is currently considered very high. Kenya is self-sufficient in beer and barley and has remarkably invested in all the East African countries commanding the highest market share within the region. The sub-sector has undergone tremendous changes and currently Kenya is one of the world's leading

producers of quality beer having won various international award competitions on various brands of locally produced beer. The only major market player in the sector has been EABL though Castle Breweries Ltd of South Africa had ventured into the Kenyan market but opted out after sometime, citing problems in sourcing barley locally and the import duty charged by the government. Beer market growth is flat in all the three states due to economic hardships that have continued to affect beer industry, coupled with high taxes, stiff competition from other beverage sub sectors and low consumer spending (EPZA, 2011).

1.1.4 East African Breweries Limited

East African Breweries Limited (EABL) is the region's leading branded alcohol beverage business and has an outstanding collection of beer and spirits brands. With breweries, distilleries, support industries and a distribution network across the region, the group's diversity is an important factor in delivering the highest quality brands to East African consumers and long-term value to East African investors. EABL is made up of seven operating units. Kenya Breweries Ltd, Uganda Breweries Ltd, International Distillers Uganda Ltd, Central Glass industries Ltd, Kenya Maltings Ltd and United Distillers & Vintners Kenya Ltd UDV(K). EABL owns 46% of UDV (K) and has management control, while Diageo holds 54% of this company. EABL also has 80% of shareholding in Serengeti Breweries Ltd, Tanzania. All its businesses are leaders in their respective markets across East Africa (EABL, 2012).

East African Breweries Limited is one of the major businesses of the region. As well as creating high quality brands that people enjoy, its business provides jobs, develops skills in people and creates wealth for our employees, investors, customers and suppliers. As a trusted and respected group of companies in the region, EABL believes that the region benefits from its presence. With greater success in its performance, comes more reward for those with a stake in our business and a greater positive impact on the economies of East Africa (EABL, 2012).

1.2 Research Problem

The increasingly competitive environment poses challenges to organizations with the last decade seeing a lot of changes in the economy of Kenya. Most of these changes have had mainly to do with liberalization, globalization, technological advancement and a more enlightened consumer. Organizations in general have to interact with their external environment as this is where they get their inputs and release their outputs after transformation (Ansoff, 2000). Consequently, they have to design strategies that allow for effective interaction with their external environment for the benefit of the organization. The strategic response to the organizations changes in the external environment may determine whether an organization survives. The external environment has a stake in the behavior and performance of an organization.

A few studies attempting to shade some light on the subject under study are more general or have failed to give detailed insights and analysis on the issues on strategic responses by firms to changes in external environment. In his study, Munywoki (2010) sought to establish the strategies used by commercial banks in Kenya in managing services breakdown among SME customers. Although the study established the main strategies used by banks to deal with services breakdown, it did not focus on all aspects of organizations strategy in attaining competitiveness. Shimba, (1993) did some research on aspects of strategic planning practices in the financial sector in Kenya. The study did not focus on all aspects of strategy or on changes in the environment. Kombo (1997) studied the strategic responses by firms facing changed environmental condition in the motor vehicle industry. Although the study attained these it mainly focused on the motor vehicle industry. Chepkwony (2001) sought to find out strategic responses of petroleum firms in Kenya to challenges of increased competition in the industry, Thiga (2002) researched on strategic responses of airlines operating in Kenya in the face of changing environmental conditions. The few studies on done on strategic responses did not focus on all aspects of strategy or on changes in the environment and particularly with reference to the alcohol beverage industry in Kenya.

This has prompted this study on strategic responses by firms to changes in external environment in the alcohol beverage industry in Kenya in order to understand the major changes the industry faces from the external environment, the strategic responses they

adopt to offset this changes and the challenges they face in so doing. So far no known study by the researcher has attempted to look at the strategic responses employed by East African Breweries Limited to changes in the external environment. This study sought to find out strategic responses employed by East African Breweries Limited to changes in the external environment and sought to answer the following research questions;

- i. What are the main strategic responses by East African Breweries Limited to changes in the external environment?
- ii. How has East African Breweries Limited employed their strategic responses to counter the external forces working against its operations?
- iii. What challenges does East African Breweries Limited face in responding to these changes in the external environment?

1.3 Study Objective

The main objective of the study was to determine the strategic responses employed by East African Breweries Limited to changes in the external environment.

1.4 Importance of the study

The study will be important to managers of East African Breweries Limited in that the study will be useful to this group in helping them identify what in the external environment is affecting their organizations and the possible responses. The Management team will use the findings as the base upon which to review company performance. Necessary improvements identified could be undertaken to enhance strategy formulation to counter changes in external environment.

The regulators and the policy makers can use the finding as reference for policy guidelines on management and control of such organizations. They will be able to use the findings of the study to formulate viable policy documents that effectively address problems faced by the companies in the alcohol beverage sector. These may relate to regulating those aspects that threaten to adversely impact on the operations and development of such organizations.

The study will provide additional information into the already existing body of literature regarding the strategic responses by organizations to changes in external environment. By linking environment and strategic response the study seeks to demonstrate how organizations react to changes in the business external environment. The findings of this study will enrich existing knowledge and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations. It will provide basis for further research.

CHAPTER TWO. LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature pertinent to the study as presented by various researchers, scholars' analysts and authors. The literature is comprised of the concept and process of strategy, scanning the environment, an organizations external environment and degrees of competitiveness.

2.2 Organization & Environmental Impacts

Pearce and Robinson (1997) define an organization's external environment as all those conditions and forces that affect the strategic options and define its competitive situation. Porter (1998) sees this connection as an input-throughput-output process, where inputs are received from the environment, processed by the organization, and released back into the environment. Consequently, if a firm is to control its growth, change and development, it must seek to control the forces which provide the opportunities for growth and change and those which pose threats and demand response. Not only must managers be aware of environmental forces and environmental change, but they must also manage the organization's resources to take advantage of opportunities and counter threats (Thompson, 1997).

Thompson (1997) sees the external environment as consisting of three aspects. These are the external stakeholders, changing political, economic, social and technological forces; and the organization's response to the nature of the stakeholders and the environmental forces. Pearce and Robinson (1997), state that the external environment comprises of the remote environment the industry environment and the operating environment, each of which has a global and domestic aspect. Collins and Porras (1996) refer to the external environment as having multiple facets, three of the major ones being, the degree of market competitiveness, the rate of technological innovation and the variability of economic fluctuations that affect the industry. Therefore, although agreement exists that the external environment has multiple facets, no agreement exists on the number.

According to Gertner (2010) the external environment facing the organization consists of both a general environment and a competitive environment. The competitive environment consists of the industry and markets in which an organization competes. The general environment, in contrast, is often referred to as the macro-environment (Ginter and Duncan, 2006). This is because changes that occur here will have an effect that transcends firms and specific industries. This shows the relationship between the general environment, the competitive environment, and the organization. It should be noted that, other things being equal, it is the competitive environment that has the most direct and immediate impact on the organization.

Grove (2006) points out that, organizations must continually scan and monitor their general environment for signals, often weak or barely perceptible, which might indicate a change in their competitive environment. For example, firms in the industry that produced typewriters would have been unwise not to scan the general environment for signs of change, in this case technological change. The advent of micro-technologies was clear threat to the typewriter industry, ushering in as it did the era of the word processor.

In order to scan and monitor their environment, firms require tools of analysis or models that will allow them to factor in the changes in the general environment and evaluate their impact (Fahey and Narayanan, 2006). One such approach involves scanning the environment to detect signals that will act as a signpost for future changes in the organization's industry. In addition, an organization must monitor its environment to discern patterns and trends that are beginning to form and try to forecast the future direction of these trends. Ginter and Duncan (2006) argue that macro-environmental analysis can act as an early-warning system by giving organizations time to anticipate opportunities and threats and develop appropriate responses.

Fahey and Narayanan (2006) state that, the aim of macro-environmental analysis is to aid the organization in discerning trends in the general environment which might impact upon its industry and markets. The organization is then able to formulate a strategy and use its internal resources and capabilities to position itself to exploit opportunities as they arise.

At the same time the strategy will be acting to mitigate the effects of any threats. Uncertainty effectively shortens the lead time an organization has to anticipate and respond to changes in its environment (Uksvarav, 2004).

2.3 Strategic Responses

Strategic response is a set of decisions and actions taken that result in the formalization and implementation of plans designed to achieve a firm objectives. It requires organizations to establish a coherent framework of objectives, mission statement, corporate values for all parts of the organization, and at all management levels, if goal congruence and optimal decisions are to be achieved (Pearce and Robinson, 2002).

According to Ansoff *et. al* (1990), strategic response involves changes in the firm's strategic behavior to ensure success in a transforming future environment. It is therefore a reaction to what is happening or expected to happen in the environment. Businesses that learn to live with environmental uncertainty and incorporate it within their decision making processes are likely to succeed in the long run. Successful strategies seek to capitalize on company expertise, resource strengths, and strongest competitive capabilities. Strategic success calls for bold entrepreneurship, willingness to pioneer and take risks, an intuitive feel for what customers prefers, quick responses to new developments, and opportunistic strategy making. An organization's culture is either an important contributor or an obstacle to successful strategy execution (Fahey and Narayanan, 2006).

Hax and Majluf (1996) state that in order for an organization to be able to interact effectively with its external environment it must have a strategy and be able to manage this strategy. Strategic management is the process by which organizations determine their purposes, objectives and desired levels of attainment, decide on the actions for achieving these objectives in an appropriate timescale, and frequently in a changing environment, implement the actions, assess the progress and results (Thompson, 1997). Since strategic management is a process, it means that a change in any component will affect several or all the other components. A process is the flow of information through interrelated stages of analysis towards the achievement of an aim (Pearce and Robinson, 1997). If a

company's markets are changing for instance, it would consequently mean that the strategy has to change.

The process of strategic management is defined at both the primary and secondary levels, which are corporate and business levels, respectively (Andrew, 1987). Strategic management involves strategic analysis, strategic choice, strategic implementation and strategic evaluation and control (Johnson and Scholes, 1999). Strategic analysis is concerned with understanding the strategic position of the organization in terms of its external environment, internal resources and competences, and the expectations and influence of stakeholders (Moreno *et al.*, 2005).

Strategic choice involves understanding the underlying bases guiding future strategy, generating strategic options for evaluation and selecting from among them (Al-Mansour, 2007; Barney, 2002; Johnson and Scholes, 1999 and Pearce and Robinson, 1997). Here an organization is striving to achieve sustainable competitive advantage and therefore chooses a strategy that will help it succeed towards this goal. The choice of strategy is crucial for it could make or break an organization. The choice must also be compatible with stakeholders' expectations. It must also pay attention to the organization's resources capabilities and its environment (Johnson and Scholes, 1999).

Strategic implementation entails translation of strategy into organization's actions through organizational structure and design, resource planning, and the management of strategic change (Dawar and Forst, 1999). In implementing strategy, the strategist must of necessity effect change in order to accommodate the new strategy which is based upon the demands of the external environment. Management of strategic change involves recognizing the need for altering the way things are in an organization, planning for the actions, moving the organization from the current state to the desired future state, and consolidating and stabilizing the changes (Mintzberg, 2009).

Strategic evaluation and control involves not only evaluating strategy for deviation from the intended course, but also for flexibility towards responding to new challenges (Schoemaker, 2002). Organizational change should be a continuous thing as new ideas

and challenges keep coming up. Strategy therefore must be flexible enough to accommodate these developments particularly the impact of the external environment. Strategic management therefore, tries to ensure that opportunities are grasped, risks are acceptable, failures can be contained and success can be built upon (Hax and Majluf, 1996). These objectives cannot be realized while ignoring the external environment, which is where the company's products and services will be released too.

2.4 Changes in the External Environment

According to Mercer (2008) if the external environment facing organizations was stable and simple to understand, then firms would be faced with an enviable situation of having relatively little change or, if change occurs, it would be easy to forecast based on historic trends. Some commodity markets exhibit a relative degree of stability, making predictions or extrapolations based on past data quite reliable. However, most environmental conditions facing organizations are complex, uncertain, and prone to change. They are complex because of the sheer volume of data that exists in the environment. Therefore any analytical tool or framework can only extract and simplify a tiny proportion of this data Gertner (2010).

If past performance is no guarantee of what will occur in the future because of uneven changes and discontinuities then attempts at forecasting the future are fraught with uncertainty (Hax and Majluf, 1996). Discontinuities refer to the threats faced by organizations and industries that have the potential to undermine the way they do business. Scanning the environment as a general activity has been made far more cost effective with the advent of the internet. Prior to the internet, the view was that scanning was a costly activity which could only take account of a fraction of the information that existed in an organization's environment. By redefining search costs, the Internet has changed the economics of undertaking scanning. At the same time it has provided an opportunity to access a wealth of data which requires time and effort to structure properly (Barney, 2002).

Gertner (2010) points out that scanning is an opportunity for the organization to detect weak signals in the general environment before these have coalesced into a discernible

pattern which might affect its competitive environment. Weak signals refer to minor changes in the external environment that an organization's scanning of the environment may barely register. This is because their impact has yet to be felt. The key for organizations is to be able to read these signals correctly and monitor them until they coalesce into a more clearly discernible pattern (Schoemaker, 2002).

According to Fahey and Narayanan (2006), monitoring can be seen as the activity that follows these initially disparate signals and tracks them as they grow into more clearly discernible patterns. Monitoring allows an organization to see how these general environment trends will impact on its competitive environment. Whereas scanning is a more broad-brush approach, monitoring uses a finer brush stroke. However, the two are inseparable, since without an identification of weak signals in the general environment there is no focus for an organization's monitoring activities. One way in which an organization might monitor weak signals is to set thresholds such that any activity which occurs above the threshold will be monitored. This might include, for example, when an interest is shown by a major competitor in a particular social or technological change. This interest then becomes the threshold at which the organization itself starts to take an interest (Ginter and Duncan, 2006).

Ginter and Duncan (2006) state that the purpose of scanning and monitoring the general environment is to aid the organization in developing viable forecasts of future trends before they become an unmitigated threat. This is particularly useful when dealing with discontinuities which themselves will usually evolve from weak signals that exist in the environment. The objective is to use this information to develop robust strategies that ensure a degree of competitive advantage.

The purpose of scanning and monitoring the general environment is to try to discern changes, however small, that have the potential to disrupt an organization's competitive environment (Groove, 2006). Once these changes are discerned, it is up to the organization to monitor them and see if they might become a trend that can affect its industry.

2.5 Degree of Competitiveness

The degree of competitiveness in an industry is manifested not only in the other players, but rather competitive forces exist that go way beyond the established combatants in a particular industry (Pearce and Robinson, 1997). Porter, (1979) says that there are five forces that affect the level of competition in an industry. He further states the threats are threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products and services and rivalry among the existing firms. Whilst these environmental forces influence the firm, the firm must seek to manage the environment (Thompson, 1997).

In addition to the multiplicity of the competitive forces in the industry, there are other catalysts to this competition. Burnes (2000) states that it has become an accepted view that for the society at large, the magnitude, speed, unpredictability and impact of change are greater than ever before. New products have appeared at an ever increasing rate, local markets have become global, protected or semi-protected markets and the industries have been opened up to fierce competition, and public bureaucracies and monopolies have either been transferred to the private sector or have had the markets transferred to them (Ginter and Duncan, 2006). Competition therefore, is not only local and global but there is a realignment of the forces at a very fast rate. Consequently the firm must apply different strategies in order to compact and respond to the now different environment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods that were employed to provide answers to the research questions in this study as listed in chapter one. The following aspects of research methodology are discussed; research design, study population, research instruments, validity and reliability, data collection procedure and data analysis.

3.2 Research Design

This study adopted a case study design which according to Kothari (2004) is a powerful form of qualitative analysis with the unit of study being an institution, family, district, community, or person. The study aimed at collecting information from respondents on strategic responses employed by East African Breweries Limited to changes in external environment. Young, (1960) recommends case study as it enables the researcher to have an in-depth understanding of the item under study. It is the preferred design where detailed analysis of a single unit of study is required because it provides focused and detailed insight to areas which need further understanding (Gay, 1992).

A case study is an in depth study of a particular situation rather than a sweeping statistical survey (Kothari, 2004). It is a method used to narrow down a very broad field of research into one easily researchable topic or an empirical inquiry that investigates a phenomenon within its real-life context and can include quantitative evidence, relies on multiple sources of evidence and benefits from the prior development of theoretical propositions (Mugenda and Mugenda, 2003). Case studies provide more realistic responses than a purely statistical survey and are flexible. However, by focusing on a narrow field, its results cannot be extrapolated to fit an entire question/population as it shows only one narrow example.

3.3 Study Population

The research involved all senior unit managers at EABL. EABL is made up of seven operating units which are; Kenya Breweries Ltd; Uganda Breweries Ltd; Serengeti

Breweries Limited; International Distillers Uganda Ltd; Central Glass industries Ltd; Kenya Maltings Ltd and United Distillers and Vintners Kenya Ltd UDV (K). The study involved 2 respondents from each operating unit so as to get from them strategic responses employed by EABL in countering changes in the external environment.

3.4 Data Collection Procedure

Primary data was collected using interview guides administered on the research sample. An interview guide is a set of a research instrument consisting of a series of questions to be asked during an interview for the purpose of gathering information from the interviewees (Mugenda and Mugenda, 2003). The study targeted two respondents per unit at EABL. The data was collected from 14 senior managers of East African Breweries Limited. The choice was based on their positions in the company and knowledge on the subject matter. The researcher booked an appointment with each of the senior managers upon where the interviews were conducted using an interview guide. To ensure that the interviewees are well prepared for the interview, the researcher sent all interviewees a copy of interview guide in advance.

3.5 Data Analysis

The data to be collected from the respondents was qualitative in nature. The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnect as was indicated by the respondents. This approach of analysis is preferred because it gives results that are predictable, directed, or comprehensive. Content analysis also enables the researcher to sift through large volumes of data with relative ease in a systematic fashion. Moreover, the researcher used the method for inferences to be made which enhance a comparison of the different phenomena in the data collected.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter is presented in four sections. The first section looks at the demographic information of the respondents. The second section looks at organization and environment, the third section looks strategic responses and the fourth section looks at challenges of strategic responses. The data has been presented in tables and qualitative analysis.

4.2 Response Rate

Out of 14 questionnaires which had been administered to the interviewees, 14 of them were returned for analysis. This translates to 100 percent return rate of the respondents. Overall, the response rate can be considered to have been very high as shown in Table 4.1.

Table 4.1: Response Rate

Response Rate	Frequency	Percent
Issued	14	100.0
Returned	14	100.0
Not returned	0	0.0

Source: Researcher (2012)

4.3 Background information of the respondents

The study sought to find out the distribution of the respondents by gender to know which gender is the majority at the EABL. The findings are presented in the Table 4.2.

Table 4.2: Distribution of respondents by Gender

(Gender)	Frequency	Percent
Male	14	100.0
Female	0	0.0
Total	14	100.0

Source: Researcher (2012)

From table 4.2, it is evident that all the respondents (100.0%) are males. This could imply that majority of the EABL managers are males.

Because of differences in the peoples' age groups, the study sought to find out age brackets of the respondents so as to know which bracket are the majority in EABL. The results are shown in the Table 4.3.

Table 4.3: Distribution of the respondents by age

AGE (YEARS)	Frequency	Percent
28-32	2	14.2
33-37	6	42.9
38-42	6	42.9
43-47	0	0.0
48-52	0	0.0
Total	14	100.0

Source: Researcher (2012)

From the Table 4.3, majority of the respondents who participated in the study represented by 42.9% are aged between 33-37 years and 38-42 years (42.9%). The table further reveals the rest are aged 28-32 years (14.2%). This could imply that majority of managers at EABL are middle aged.

The study sought to find out the education level of the respondents. The results are shown in the Table 4.4.

Table 4.4: Distribution of the respondents by Education level

Education Level	Frequency	Percent
Secondary	0	0.0
Diploma	0	0.0
Undergraduate	6	42.9
Post Graduate	8	57.1
Total	14	100.0

Source: Researcher (2012)

The table shows that more than half of the respondents (57.1%) have attained post graduate level of education while the minority, 42.9% have attained undergraduate level of education. This could imply that EABL employees have attained tertiary level of education.

The study sought to find out the how many years the respondent has worked with the company. The results are shown in the Table 4.5.

Table 4.5: Years worked in EABL

Years	Frequency	Percent
0-3 years	0	0.0
4-7 years	11	78.6
8-11 years	2	14.3
12-15 years	1	7.1
Over 15 years	0	0.0
Total	14	100.0

Source: Researcher (2012)

From table 4.5, it is evident that more than half of the respondents (78.6%) have worked in the company for 4-7 years, 14.3% have worked at EABL for 8-11 years and 7.1% for 12-15 years.

The study further sought to find out the career orientation of the respondent. The results are shown in the Table 4.6.

Table 4.6: Distribution of the respondent by Career orientation

Career	Frequency	Percent
Sales	5	35.7
Marketing	4	28.7
General management	1	7.1
Distributor Management	1	7.1
Sales and Marketing	3	21.4
Total	14	100.0

Source: Researcher (2012)

Table 4.6 shows that almost half of the respondents (35.7%) have specialized in Sales as their career. The table further shows that 28.7% have specialized in Marketing, 21.4% have specialized in sales and marketing, 7.1% in general management and 7.1% in distributor management. The findings imply that managers at EABL are professionals and well equipped for their titles.

The study also sought to find out the respondent’s designation at EABL. The results are shown in the Table 4.7.

Table 4.7: Distribution of the respondent by Designation

Designation	Frequency	Percent
Divisional sales manager	2	14.2
Sales and marketing Manager, CGI	1	7.1
Regional sales manager	1	7.1
Regional innovation manager	2	14.2
Innovations Commercialization manager	1	7.1
General Manager	1	7.1
Head of Trade development	1	7.1
Key Accounts Manager International Exports	1	7.1
Distributor Development Manager	1	7.1
Brand Manager	1	7.1
Customer relations Representative	1	7.1
Area Sales Manager	1	7.1
Total	14	100.0

Source: Researcher (2012)

Table 4.7 reveals that 14.2% of the respondents are Divisional sales managers, Regional innovation manager (14.2%), Sales and marketing Manager, CGI (7.1%), Regional sales manager (7.1%), Innovations Commercialization manager (7.1%), Head of Trade development (7.1%), General Manager (7.1%), Key Accounts Manager International Exports (7.1%), Distributor Development Manager (7.1%), Brand Manager (7.1%), Customer relations Representative (7.1%), and Area Sales Manager (7.1%). The findings reveal that all respondents who participated in the study are managers at different departments who are in charge of different strategies at different levels.

4.4 Strategic Responses by EABL

This section seeks to gather information on the strategies adopted by EABL to counter the effects of the changes from the external environment. The section analyses responses regarding the EABL and its environment focusing on how EABL vision and mission contributes to formulation of strategic responses to change in environment. The section also looks at new entrants and competitors in the market, level of unemployment and disposable income, government regulations and how new discoveries in technology influences the organizations response to its environment.

4.4.1 EABL vision and mission to changes in the external environment

The study sought to find out the EABL vision and mission and how it contributes to formulating strategic responses to changes in the external environment. The responses given include that the EABL vision is to be Eastern Africa's leading drinks' company. The vision is to be the most celebrated business in every market in eastern Africa and this call for strategies in geographical expansion and continuous product development to appeal to a larger consumer base. The respondents indicated that EABL's Mission is to be the most celebrated business in East Africa. To enable achieve this; the company adopts a strategy of being compliant beginning with its employees where each employee is supposed to act and behave compliantly. A proportion of the respondents indicated that the EABL seeks innovation to achieve extra ordinary results around product development and marketing.

The strategies are the pillars for EABL vision and mission. The two are part and parcel of strategy and forms the basis / beginning point of Strategy formulation and this strategy should be geared towards delivering the mission and vision of a company; The vision and mission of EABL contributes to formulation of strategies that will ensure the company is leading in the market (Eastern Africa) and able to achieve its targets goal with the ever changing operating environment and these strategies are formulated in response to the markets changes; Using the celebrated live everywhere and every day EABL has used the corporate affairs tree planting and water for life campaigns to get a social responsibility agenda to contribute immensely; and the company has focused on 7 critical areas to deliver its mission which are: consumer, customer, capability, capacity, competitors,

community and compliance. All the areas look at what is happening in the external environment and the company thus has specific imperatives to deliver on each area.

4.4.2 PESTEL influence in EABL's Strategic Responses

The study sought to find out the influence political/legal, economic, technological and social-cultural changes have in EABLs strategic responses to change in environment as well as the organizations general performance.

4.4.2.1 Kenya economic performance

The study sought to find out how Kenya economic performance with time has affected the performance of EABL. The respondents indicated that economic growth has led to stable performance for EABL in general, and also expansion of the middle class who demand premium brands, enabling EABL grow this segment with innovations like Tusker Lite, Windhoek and Guinness; Kenya's GDP has grown at below target levels in the majority of the years and a case in point is last year when the target growth was revised downwards to 3.5% down from initial 7% which also affects EABL's planning and resource allocation; the growth of the economy has resulted in more consumers having more cash to spend hence overall growth of the company through our products being affordable to many; inflation rates have affected the purchasing power and disposable incomes on households; it has led to increased prices of alcoholic products; and Kenya's economic performance in the last ten years has been on an upward trend save for the dip occasioned by post election violence, this has meant an increase in disposable incomes bearing good tidings for the alcohol industry, in particular, there has been a significant growth in the Premium Beer segment as demonstrated by entry of international players in Kenya's market.

A proportion of the respondents indicated that where else EABL's growth trajectory has maintained positively, there has been more pressure from the premium end of the market in both Beer & Spirit segments resulting to introduction of new Products targeted for the premium segment; the Kenyan economy has had a mixed effect, on one side, the economy has been growing at an average of 4% from early 2002 before slowing down in PEV and it has again continued to grow and this has seen Kenyans changed their life style and the level of middle class increasing thus the company has been able to introduce new

brands that targets middle income earners which can be perceived as premium which in return has contributed to the growth of annual performance; on the other hand, a majority of Kenyans have also become poorer therefore dropping from premium brands to cheap and dangerous illicit which has provided opportunity in innovation where the company has introduced brands for low income earners and therefore gaining from that segment and in turn contributed largely to company profits; inflationary pressure has decreased purchase power, affected cost of production, operational costs, distribution and spending habits of consumers; energy/fuels prices have reduced profitability; funds developed have improved rural performance; There has been a marked economic recovery in the last ten years but the gains to the company from this has however been overshadowed by stringent regulations; it has become more challenging as disposable incomes dwindle and competition for share of pocket increases; and bottled beer sales have generally slowed down owing to increased inflationary costs, however, this has spurred significant growth in the lower value VFM Senator Keg sales as ways in which Kenya economic performance for the last ten years has affected the performance of EABL.

4.4.2.2 New entrants and competitors in to the market/industry

The study sought to find out how new entrants and competitors in to the market/industry have affected the performance of EABL. The respondents indicated that competition has forced EABL to innovate new brands to fill portfolio gaps, as well as create efficiencies internally through forward and backward integration strategies; competition has significantly grown the premium & mainstream beer segments with marginal losses in our mainstream beer market share, however, in recent times competition in the premium sector has eroded our leadership in this category and traditional brews continue to hamper our growth in mainstream, while small fragmented competition in the VFM spirits segment has slowed our value offer growth the company has been a leader in sustainability agenda with initiatives like green iQ, water conservation, a forestation, glass waste management and reduction of electricity usage via solar panels; new competitors have emerged and thus reducing the market share of key brands and especially spirits category and this had led to a shift of how as an organization does things; more players fighting for the same limited disposable shilling, thus lower margins due to increased cost of selling; and calls for more investment in both below the line and above the line to ensure our brands remain relevant.

A proportion of the respondents indicated that due to attractiveness of the Market, new players have made a significant entry into the Market including local players (Keroche, Top Rank, Ozebecco) as well as international players like Heineken, SABMiller, Carlsberg, Pernord Recard and all these players have eaten into EABL's market share for Beer and Spirits and EABL has had to respond in various ways to maintain its performance; every new entrant looks for a share of the market, and yes, some points were lost, though not significant; the market has become competitive especially on the niche segment and this has had adverse effects on company's brands that operate in that segment, thus, the brands have been on a decline year on year; bigger spender in trade; increased innovation and Expansion of innovation agenda; increased competition hence need to allocate more resources to retain our customers; reduced decision making process time-leads; increased budgets; lobby for more anti competitive legal measures; share of consumer pocket; being more aware of our compliance platform; share of media time; and new entrants in the market and changes in consumer have made the company focus on innovation to deliver to the consumer and some of the innovations have aimed at addressing white spaces that competitors may easily take as ways in which new entrants and competitors in to the market/industry has affected the performance of EABL.

4.4.2.3 Level of un-employment and disposable income

The study sought to find out how level of un-employment and disposable income in Kenya has affected the performance of EABL. The respondents indicated that high levels of unemployment have led to reduction of disposable income generally, but more manifest at the lower economic level leading to downgrading and this has led to poor performance of EABL's mainstream brands but caused growth of Senator which is a value for money brand; the increase of the unemployed has led to increase of cheaper liquors due to lack of disposable income, this directly affects the performance of the organization; this is a major problem especially for players in the so called sin industry and there has been a significant level of consumers 'down trading' from what they currently drink to more affordable drinks; over time, the mainstream segment has shrank with consumers either moving upwards to premium offerings or downwards to 'Value' offerings and Senator Keg that taps into the 'Value' market and continues to grow year on

year; less money to spend affected the performance of EABL; through introduction of innovative brands like senator keg lager, the company has been able to capture the low income earners; and eroded purchasing power especially to spend on luxuries.

The respondents further indicated that introduction of senator and development of sorghum planting agenda to support farmers; alcohol consumption is luxury consumption that is affected by reducing disposable incomes that decline discretionary consumption; lower disposable income lower sales, reduced profit headroom; affecting marginal growth year on year to only single digit number; rise of insecurity affecting patrons drinking time; eroded purchasing power especially to spend on non-basic commodities; strain on the net sales value as more consumers have downgraded to value brands since they cannot afford high prices; decline in disposable income, also related to high level of unemployment led to the innovation for Senator Keg, a brand that is supported by the government of Kenya and has won EABL many accolades. Senator Keg has enabled many consumers to assess great quality alcohol at very reasonable prices.

4.4.2.4 Government Regulations

The study sought to find out how government regulations and passage of new laws governing the alcoholic beverage industry has affected the performance of EABL. The respondents indicated that the regulatory environment has negatively affected the operating set up for EABL, there are fewer outlets than before, and more severely, the implementing authorities have focused on over-regulating the legally operating section of the alcohol industry instead of the illicit end which is still thriving. In my current market though, the laws are yet to be in operation (different country); the company has responded well to changes in the legal environment including packaging regulations, packaging materials (abolition of PET to glass) and on licensing requirements e.g. Mututho Law; strict regulations have led to the reduced consumption of our products, also increase in cost of production through the use of specific required packaging; there has been increased regulatory pressure with the recent Alcoholic Drinks Control Act (ADCA) having significant implications on business performance particularly due to reduced dwell time in the bars, strict licensing leading to closure of outlets, more control on promotional and advertising activities restricting consumer facing activities among others; at first the impact was big, but consumers have adjusted their drinking hours; and this has had the

most adverse effects from the company losing bars, in case of senator keg and declined revenues.

A proportion of respondents indicated that the way they do their advertisement has also been affected and the fact that the company cannot promote alcohol anyhow; reduced sales; stringent marketing space for activity; discouraged investment by small scale traders, some of the legislation is unnecessary, thus, the intended purpose which is to curb illicit brews not achieved; adherence to internal controls through DMC; seeking more partnership from lobby groups; seeking approvals from regulatory bodies e.g. BCLB; Mututho law has led to reduction in drinking time, closure of quite a big number of bars and penalties and this means lower volumes, hence lower revenues; new laws like distance from schools, controlled opening up of outlets; the new stringent regulations have reduced turnover through limiting the number of players in the value chain, reducing consumption time and increasing the cost of doing business; the biggest threat is and remains the ADCA and the different schedules which include operating hours, marketing, licensing and restrictions on promotions that has reduced the opportunity for innovation and communication; and the law now requires all alcoholic drinks to be packaged in glass and this has led to unprecedented demand for glass bottles especially for spirits bottles that were in PET before as ways in which government regulations and passage of new laws governing the alcoholic beverage industry has affected the performance of EABL.

4.4.2.5 New discoveries in technology

The study sought to find out how new discoveries in technology and the speed of technology transfer in the industry of the operation has affected the performance of EABL. The respondents indicated that systems like SAP have impacted processes very positively leading to reduction of costs and led to better planning; automated processes in Sales at both the distribution and sales team is also giving the organization better visibility of the selling function on top of saving related costs; simpler, faster, better in-touch in field sales, distributor management system, SAP and e – pay slips all enhancing efficiency; technology has enabled simple, faster and better operations especially in sales force effectiveness; EABL have also successfully rolled out DMS and cashless platforms that will be instrumental in building advantaged RTM and their competitiveness in reaching the trade; EABL has been in the forefront in embracing technology and is at the

core of its resolve of making all operations 'simpler, faster better' and latest data modules, new ways of working (In touch, DMS) modern production lines are examples in this area; new technologies have led to new easier ways of working requiring few manpower hence reduced HR overheads; cheaper and easier ways of advertising through the use of online media e.g. facebook and twitter; various technological developments particularly in Supply have led to increased efficiencies and effectiveness of business operations whereby despite increases in the cost of fuel and production inputs, the business has been able to maintain healthy Margins.

A fraction of the interviewees indicated positive impact due to easy transactions, e.g. buying beer by MPESA; now a day's decisions are easy to make and also easy to communicate which is due to introduction of Blackberry that ease the load; has increased EABL's competitiveness due to use of state of the art technology; automation of brewing processes; introduction of tech gadgets like track it for vehicles and PDA has made it easy for processes and impactful way of working; reduction in operating overheads through optimal use of resources; better customer service and improved speed of delivery; EABL has adopted new technologies as they come though, mainly in production processes where the company increasingly is automating; and on information technology, it has adopted mobile technology to carry out consumer campaigns and is using internet to market its brands as ways in which new discoveries in technology and the speed of technology transfer in the industry of the operation has affected the performance of EABL.

4.4.2.6 Changes in population demographics, social and cultural factors

The study sought to find out how changes in population demographics, social and cultural factors in the market of operation have affected the performance of EABL. The respondents indicated that more youth than the old means the organization is coming up with strategies targeting youth in order to align ourselves; settlement in new areas by middle income earners growing consumption in affected areas; social and cultural behaviors either enhancing or limiting consumption; being in the beverage industry, the company has been aware of the shifts in the society and has adapted to same via introduction of brands that addresses the changes which have included Alvaro for upward mobile young adults looking for non alcoholic soft drinks and low cabs lagers like Tusker

Lite, thus the impact of new challenges including conditions like HIV have been factored in when doing strategy and planning; population demographics cannot directly be attributed to the performance of the organization though social/cultural has affected especially when it comes to religion and the way certain communities perceives the consumption of alcoholic beverages, and also how associates the ills of the society with alcohol e.g. crime and prostitution; and the emergence of the female economically independent consumer has lead to targeted innovations e.g Snapp. Tusker Lite was also developed to meet emergent consumer trends around healthy.

A fraction of the interviewees indicated that there have been a number of significant demographic/cultural changes that have had implications on business which includes growth of the middle class segment with high spending ability, social and financial independence of females and social/cultural liberalism and adoption of western culture; these changes have resulted in a number of changes in terms of the brand portfolio offerings and packaging, amongst others geared to meeting consumer needs driven by the above changes; as more and more youth turn into adults, the total number of customers increase; the population has been on the rise and therefore that means more opportunity for selling alcohol, however, the population is becoming more health conscious therefore opting the company to go the 'light' way in order to caution consumers' health, for example, tusker light, white cap light and Windhoek; high number of young generation who have high propensity to consume: more informed people thus more choice on brand portfolio available; introduction of different brands to cover different demographics like Alvaro, Lite beers and Pilsner Ice; sprucing up outlets to enhance outlet ambience; sponsorship of events like corporate such as golf tournament, football and Tusker project Fame; urbanization, increased consumer awareness, and growth of the middle class have created for us a ripe market for premium brands; for demographics the company continues to advertise the products to make them more relevant to the current consumer, and The Tusker Project fame is one example of how the company wants to keep Tusker still connected with the young adults as ways in which changes in population demographics, social and cultural factors in the market of operation have affected the performance of EABL.

4.4.2.7 Income distribution within the members of the organization

The study sought to find out how income distribution within the members of the organization has affected the performance of EABL. The responses indicated include this contributes positively as it increases motivation within the staff and also improves career aspirations within the existing staff members; it is not a major driver in business performance; income is distributed across all employee job groups in accordance with stipulated guidelines; members of EABL across the range easily enjoy premium brands because they can afford to do so; favourable hence positive results; salary review especially making all sales people work on permanent basis; and adoption of global standards thus more income amongst staff and thus more disposable income; disparities in spend patterns, thus, more people getting in the value sector. A large proportion of the respondents indicated that they were not sure.

4.4.2.8 Other changes that have impacted EABL performance

The study further sought to find out how other factors have impacted on the performance of your organization and how. The responses given indicate that political tensions have a huge negative impact on their business performance considering the nature of the business, fewer consumers tend to visit outlets/bars when the political tensions are high; inflation also contributes negatively to the performance as our products are not considered a necessity; political uncertainties like postelection violence which led to displacement of people; the volatile political environment has not created the right framework to attract FDI and local investors have also shied away from investing their resources especially around election time thus affecting EABL's business negatively; and the political scene especially elections have had adverse effects from loss of company resources to no delivery of alcohol due to risk attributed to the election.

Other factors indicated by the respondents include advocacy from pressure groups and other registered bodies like NACADA, World Health Organization (WHO) among others has and will continue to put pressure on the alcoholic industry the same way they handled the smoking industry in respect to drugs and substance abuse; cost of goods, fluctuating exchange rate; geographic expansion through relaxation of boarder regulations with neighboring countries; and globalization has also seen changes in the way the business operates; environmental factors have also seen changes in the way EABL operates; and

opening up of young economies around us, (Southern Sudan, Rwanda, Democratic Republic of Congo).

4.4.3 EABL effectiveness at implementing strategic responses

The study sought to find out if EABL has achieved the importance and effectiveness of strategy implementation to respond to changes in the external environment and if East African Breweries Limited is effective at implementing strategic responses to changes in the external environment. All the respondents indicated that EABL has achieved the importance and effectiveness of strategy implementation to respond to changes in the external environment. The responses given include EABL has responded well, even though they need to have more pace in implementation; the industry is quite dynamic and EABL has remained agile in its approach to the changes and in putting in place the respective strategies; the organization has coped well in implementing different strategies in line with the changing operating environment to ensure that its performance is not affected negatively, and is able to achieve business growth; and the delivery of strategic intents may not have been 100% and there have been misses, however, EABL's strategies have generally been very effective which explains the success of the business over the years.

Other responses given include that even though the external environment has been harsh, the company has continued with a steady performance due to innovative brands, change in the way of working, investing heavily in community and being compliant with laws of the country and maintaining high integrity at all times; through flexible programs evaluated annually; some critical decisions need faster implementation; EABL formulated a strategy of regional expansion to enable it expand risks associated with changing environment and the buying of Serengeti breweries is a testimony for this; and EABL is very good at strategy formulation but has some opportunities in ensuring timely execution that delivers great results, thus, the responsiveness in general has been good in terms of competitor play but the recent ADCA has rendered some in competencies in winning in the new world

4.5 How EABL responds to changes in external environment

The study sought to find out how the respondent's unit at EABL responds to changes in external environment. The responses given include the function gathers insights through field sales reports, and these form the basis of both strategic and tactical responses; they continuously review their environment and respond to the changes in the external environment based on potential impact of each change and they have a risk foot print matrix that they use for this purpose; depending with the kind of change, the Unit responds and adjust to the new working environment to ensure its performance is not affected; they have a rapid response kitty to respond to any new challenges that are not planned for in our strategic plans; and proactive response to changes through effective information gathering.

The respondents further indicated that their unit has adopted two types of responses namely anticipatory approach which is driven by research on consumer and market trends and respective responses designed in order to maintain competitive advantage and stay ahead of the consumers and reactive approach which is driven by events happening in the market place that requires responses ranging from competitor activities, changes in regulatory environment; in both approaches, there is high reliance on consumer research in order to deliver winning options; do a scan and respond with pace like launching a new brand to fight new entrants; innovation; structural strategic change; based on company strategy using field information to advise changes in plans ; constant feedback and gathering of intelligence; by lobbying anti alcohol groups and creating partnerships with the government; alignment per internal guidelines; and all our plans and actions are informed by the changes in the market place meaning that their annual planning platform starts and ends with the external environment.

4.5.1 Elements that influence the strategies adopted by EABL

The study sought to find out how the following elements influence the strategies adopted by your organization when responding to changes.

4.5.1.1 The resources within the organization disposal

The study sought to find out how the resources within the respondent's organization disposal influence the strategies adopted by the organization when responding to changes.

The responses given include: EABL is part of the global Diageo plc and resource availability not a big challenge when well justified; they influence directly especially on the speed of executing the strategies, if resources are not available then coming up and adopting the strategies becomes a problem; resources are always limited hence a significant influence, thus, prioritization is done based on risk-benefit analysis versus level of investment required; level of competitive advantage; investing in areas that EABL can only get returns from; annual budgeting influences planning; well used especially where they need quick wins; increased overheads and expenses thus reducing GPs position; commensurate to requirements; optimal; capacity and executional excellence; budgets play a key role in shaping the priorities in terms of how EABL responds to market needs; and resources are always not enhancing and hence as a unit make choice to invest in areas that reap us maximum benefit. Life is about choices.

4.5.1.2 Organization internal priorities, risk avoidance and internal efficiency

The study sought to find out how organization internal priorities, risk avoidance and internal efficiency influence the strategies adopted by the organization when responding to changes. The responses given include whenever possible we try to stick to strategic plans rather than react after competitive pressure; there is in place our SOA (statement of authority) that gives guidance on approvals and level of decisions that can be made at the various levels; priority will influence as it will determine how/when the strategy will be implemented; risk avoidance will also determine the importance of the strategy in comparison to the results of a delayed implementation of a strategy; also a major influence in terms of Strategic choices, as well as the Speed and effectiveness of response; the business case must prove that it has low risks, will not affect internal operations and will indeed add to internal efficiency; always consider the ROI; comprehensive compliance plan is used to evacuate all plans before execution.

A proportion of the respondents indicated priorities well documented, risk assessment before any event done; lay off and resignation; creates inefficiencies especially around demand departments; slow down implementation; thorough and well executed; speed of execution; this play a key role as follows: priorities are defined based on opportunity

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versus portfolio play i.e. invest ahead, behind growth e.tc; risks and opportunities (R&O's) help the business in strategic planning and EABL has internal KPI's for efficiencies that are called out in out RTM, customer service and sales force effectiveness amongst others; risk is also prioritized and risky projects are thoroughly assessed before they can be implemented; and being part of a group, it means that their priorities will be looked at, at the same time with other business units and thus EABL then makes a choice for all the group.

4.5.1.3 Desire for growth and influence on the beverage sub-sector

The study sought to find out how desire for growth and influence on the beverage sub-sector influence the strategies adopted by the organization when responding to changes. The responses given include: the desire to grow always manifests itself through activities they carry out which must have a return on investment; will be in line with the company's strategy and annual mission; strategies reflect the positioning of their brands in the market in consideration of looming competition from their rivals; this is a critical driver and is closely tied to the EABL's Mission and Vision; the organization is number one, and they strive to remain number one in everything they do; innovation; active participant and sound expansion strategies; expansion and staff motivation; inspire innovation and development; clear and ambitious expansion plans; search for unexploited market; the organization has called out their vision for being the most respected company and this bullish approach influences their aggressive approach to the market and how they play TBA; and meeting consumer demand is at the core of what EABL does and their mission is also to lead in every sector that they choose to participate in.

4.5.1.4 Available strategic choices and low influence from environment

The study sought to find out how available strategic choices and low influence from environment influence the strategies adopted by the organization when responding to changes. The responses given include: strategic plans always win over tactical, in case of conflict; environment is a key factor in determining the strategic choice; this influences as it provides a scope of what is viable and what is not, and what will have the best outcomes; this would form part of SWOT analysis and anything whose impact is insignificant would ordinarily not taken further; the organization checks the available

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opportunities; people; strategic choices on execution of activities done; limited choices and strict adherence to environmental laws; increased participation on environment plans; low influence; informed decisions; exploring the world of possibilities; and EABL is more consumer led.

4.5.1.5 Emerging market opportunities and moderate risk taking

The study sought to find out how emerging market opportunities and moderate risk taking influence the strategies adopted by the organization when responding to changes. The responses given include: EABL has market opportunity leverage at the core of its plans, and therefore regards this very highly when formulating and executing strategies, even with an element of risk; risk assessment is done on key decisions supported by decision support teams; this affects as it provides the company with an opportunity to grow and also introduce their brands in the new markets, with a consideration of working in different environment, different challenges; this is a critical input into strategy formulation and review process; every new market is a new opportunity for growth, and they do focus on this; innovation; taken into consideration annual to advise the next plan; all opportunities leveraged on and improvement areas highlighted; increased expansion in the region market; adopt new opportunities through strategic expansions; all opportunities leveraged on and improvement areas called out; new opportunities for growth; research data helps map opportunities and risks which they then factor into the 12 to 18 months planning process; and their investment in South Sudan and GRL is a statement to EABL's desire to participate in these markets.

4.5.1.6 Scanning the external environment for threats and trends

The study sought to find out how scanning the external environment for threats and trends influence the strategies adopted by the organization when responding to changes. The responses given include: scanning the environment is an ongoing exercise at EABL; continuous process; scanning has to take place and a study/research done to ensure that desired outcome is achieved; EABL operates within an environment and whatever happens in the environment has either positive or negative implications and they recognize this and hence constant scanning of the environment happens; this is a must and the organization do it regularly; joint up business planning to factor in all anticipated

PESTEL factors; market scanning and sensing is a key deliverable of field sales people; risk assessments before venturing in any external activity; use of Corporate department to lobby for EABL; through research organizations and through a unit that deals exclusively deals with the same; through strategic sooth-saying; doing SWOT analysis; using data from AC Nielsen and the annual customer survey research; and trends are critical to the business and they keep on checking any changes in consumer tastes which they then incorporate as brand renovations, new innovations.

4.5.2 Other factors that influence the strategies adopted by EABL

The study sought to what other factors that influence the strategies adopted by the unit. The responses given include: adaptability with existing systems at EABL is another influencer on strategy; global policies and regulations that affect the alcohol industry and good governance; urbanization; emerging middle class; security which determines the nature of strategies that can be adopted; Diageo Plc (Parent company) Strategy; consumer / market trends in external markets; legal and political as well as technological trends; consumers demand; search and spin from previous activities; influence; monitoring and evaluation; and global trends.

4.6 Challenges of Strategic Responses

The study sought to find out how the following perceived challenges to strategic responses to external environment affect strategy formulation, implementation and evaluation in the respondent's unit at EABL.

4.6.1 Influence from the board of directors

The study sought to find out how influence from the board of directors affects strategy formulation, implementation and evaluation in the respondent's unit at EABL. The responses given include: it is not much of an influence; the culture in the organization involves a lot of alignment and gate level approvals and this may affect speed of execution; they influence strategy in the sense that they are the final leaders to approve or refute the adoption of the strategy, and also through challenging and building on what has already been provided; probably also looking at the desired outcome if will be achieved

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when the strategy is adopted; the Board approves the Broad Strategic direction for the company, however, the management has the free hand in delivering other strategic goals geared to delivering the broad goal; the managers run the show; Board of directors assist in formulation and implementation by offering their guidance; supportive of the long term strategies; EABL maintains an organic structure; directors' alignment on strategy; the board largely sanctions the strategic imperatives and directions that the Kenya and EABL exec present; and the board steers the group with the biggest influence being from the main shareholder Diageo. who has implemented standards across all areas such as marketing, governance, controls, health and safety and overall strategic direction.

4.6.2 Politics and struggle for dominance between Board of Directors

The study sought to find out how politics and struggle for dominance between Board of Directors affects strategy formulation, implementation and evaluation in the respondent's unit at EABL. The responses given include: Board of directors have left the running of the business to the management composed of professionals; a natural process that is won through alignment sessions; this will influence depending on how best the board members understand the strategy and its benefits; and not privy to any Board struggles. A large proportion of the responses indicated that politics and struggle for dominance between Board of Directors is not a dominant factor or an influence in strategy formulation, implementation and evaluation in the respondent's unit at EABL since independence in decisions taken.

4.6.3 Availability of resources at EABL disposal

The study sought to find out how availability of resources at EABL disposal affects strategy formulation, implementation and evaluation in the respondent's unit at EABL. The responses given include: EABL always acts within available resources without stretching beyond what is necessary; resource not a challenge; availability of resources determines formulation, evaluation & adoption of the strategy especially if the cost involved is high; resource is a major input into Strategy development as well as implementation but resources for strategy formulation have not been a significant issue but the major issue occurs at the Strategy implementation where prioritization happens

sometimes leaving out some critical elements or missing out on timelines; EABL has immense knowledge resource, plus other physical resources; they are strategically designed to have maximum returns; none at all since budgeting process is comprehensive to allow annual plan; resources always at disposal; expansion; sometimes too restricted resulting to being a follower than a leader on reaction to market changes; resources always optimally utilized; strategy is to maximize on output of the resources at hand; this is key as the unit invests where they see the greatest return but every so often are able to seek budgetary support from the mother company – Diageo based on the strategic thrusts/push and ambition called out at an African and Global Executive level; and as a responsible company EABL will not get into all projects especially when resources are scarce.

4.6.4 Level of technological changes within the alcohol beverage sector

The study sought to find out how level of technological changes within the alcohol beverage sector affect strategy formulation, implementation and evaluation in the respondent's unit at EABL. The responses given include: EABL always responds to technological changes and is a leader in using new ways within the alcohol industry; as the market leader, the unit also leads in technology changes in the industry; level of technological changes will affect, it will require training of users and super users, to understand impact of the strategy; technological changes are not drastic or fast paced, where they do occur, their implementation can take time due to resources required and what EABL has adopted is a 'continuous improvement processes' within technical and supply ends; apart from machinery technology, which EABL adapts and modernizes, the brewing process has remained the same, however, the raw materials keep changing and now we source starch from sorghum; the company is ahead in terms of technology and adopts to new technology; comprehensive plant upgrades happen annually; and all technologies are updated and no major challenges.

The responses further given include embracing KPIs; EABL strives to keep abreast and even ahead of any technological changes in the environment; always trying to keep up with the changing technological trends as they come with full fledged IT department that keeps on updating on new technologies throughout the business cadres; this influences the units choices in ensuring they have the best and fastest data from the trade that then helps

them scope for interventions like Intouch and DMS which were significant technological investments; Diageo has also invested heavily in SAP and recently in a regional business decision support centre that is aimed at increasing internal efficiencies; and EABL strives to get better at manufacturing and will always invest in better brewing technology or information systems to make it more efficient and any decision on new investment is always preceded by a technology review to ensure that the project incorporates the best technology available.

4.6.5 Channels of communication between senior managers and lower level staff

The study sought to find out how channels of communication between senior managers and lower level staff affect strategy formulation, implementation and evaluation in the respondent's unit at EABL. The responses given include: the unit has sufficient channels of communication across all levels, and they help disseminate information as required; there are many channels including town hall meetings and other formal cascade sessions; this affects as increases the duration of the workflow, and reporting lines; the low level staffs are not particularly involved in the development of strategy and when it comes to the cascade, gaps and/or inconsistencies comes into play, this is fairly fast; cordial; constant evaluation and briefing meetings to enable communication; communication flows well as there are effective communication channels in place; increased participation; there are no hierarchies but short power distance; organic structure; any breakdown of communication would be disastrous thus there are scheduled forums to share management drive with lower level staff; and EABL communicates its strategy to all employees through town halls, newsletters, staff conferences and this is aimed at ensuring that this strategy is understood by all to ensure correct implementation and good motivation around the strategy.

4.6.6 Resistance from lower level staff, distributors and Board of Directors

The study sought to find out how resistance from lower level staff, distributors and Board of Directors affect strategy formulation, implementation and evaluation in the

respondent's unit at EABL. The responses given include: it is not much of an influence; collapse of strategies; there are effective channels of team alignment towards a given outcome thus minimal resistance; the unit's ways of working ensure they constantly map engagement levels with their teams and actions put in place to course correct; key challenge from unionisable staff and distributors when they also form 'unions'; fear of change would affect strategy formulation, implementation and also evaluation especially if it would pose danger to them losing their jobs; the strategy is ultimately implemented by the low level staff and the contracted distributors and full co-operation of these key players is therefore critical for delivery and in some instances; some strategies have fallen flat due to resistance; it exists and solutions are sought every time; change is taken positively; there are avenues to ensure any changes being implemented are owned by all stakeholders; communication channels to align all; as a team they are focusing on building great measure and evaluate mechanism to be able to measure the effectiveness of our spend and search and spin across markets; and unions are consulted if there is any change that may lead to layoffs and for distributors with contracts any changes to distribution will only be done in line with the contracts.

4.6.7 Lack of effective strategy evaluation mechanisms

The study sought to find out how lack of effective strategy evaluation mechanisms affects strategy formulation, implementation and evaluation in the respondent's unit at EABL. The responses given include: some effect felt here, as there is opportunity to evaluate strategy with all levels of employees, rather than at senior level alone; wrong outcomes will be achieved for the business; being a dynamic and fast business, evaluation is more often than not 'forgotten'; they have not been very good at strategy evaluation so this is a gap they should close; needs to be reviewed periodically; low achievement levels of results; the mechanisms in place are effective; strategy embedded in the management structure; as a team we are focusing on building great measure and evaluate mechanism to be able to measure the effectiveness of our spend and search and spin across markets; and EABL is good at measuring progress towards its mission and vision, however, at times the day to day may lead to people forgetting the bigger strategic objectives and this is where the CEO comes in to ensure that all are focused back to the medium term and long term strategy.

4.6.8 Influence from the regulators

The study sought to find out how influence from the regulators affects strategy formulation, implementation and evaluation in the respondent's unit at EABL. The responses given include: a lot of influence as seen through the Alcohol Law, and powers vested on KRA to influence pricing arbitrarily, rather than the Treasury annually as the previous case was; they actively and proactively engage in self regulation to be on the safe side; the formulation of the strategy will be in line with regulations from the regulators, hence determine the outcome; this is always a big influence and often informs strategy or results in the review of formulated strategy; the regulatory environment seriously impacts and influences their strategic choices, their ability to respond to market needs, and generally communication to consumers; the financial regiments have also continuously impacted Alcohol (sin tax) which over the years had made their products become less accessible for consumers; sometimes this has a very big negative impact; this is affecting how to conduct their business; corporate affairs handles government relations and communication; regulators need to engage all stakeholders to come up with an implementable strategy; delay in planned activities; there is total stakeholder engagement; good relationships with the various regulators by ensuring compliance with regulations; and regulators keep changing the environment and they have to respond to their demand like the Mututho Law.

4.6.9 Fear of retaliation from competitors

The study sought to find out how fear of retaliation from competitors affects strategy formulation, implementation and evaluation in the respondent's unit at EABL. The responses given include: there is not much of an influence; market intelligence takes care of that; this will affect the formulation, implementation & evaluation of the strategy as the organization has to consider the consequences it will deal with from the competitors; current activities of competitors; they do their game in their own style in a compliant way, and as such, they do not fear retaliation from competitors; they are ready to compete compliantly; they focus on market priorities by playing to win not to beat; they always strive to have level playing field and be ethical; quick execution without solid plans; moderate; fair competition okay; competitor gaming; this is a big consideration in their

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activity planning but basically they focus on their competitive advantages to win in their brands, people and reputation; and EABL will consider competitor reaction but most of the time actions are based on well researched consumer needs.

4.6.10 Other challenges EABL faces in strategic responses

The study sought to find out which other challenges EABL faces in its strategic responses to changes in the external environment. The responses given include: a volatile environment, with unpredictable trends in the economy growth; the ownership challenge meaning a lot more stakeholders are involved; resourcing: self regulation; market fluidity and constant change; some religious beliefs are harsh on alcohol; unpredictable weather patterns; insecurity (Al Shaabab); laws that are anti competitive tend to reduce activities; competitors not being compliant with various regulations; unpredictable changes in the world we live in; and reputation meaning that as a dominant business in the region, its critical for EABL to keep its reputation good as it impacts a lot of people and a bad reputation can mean a gate way for other competitors to come in.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction of Findings

This study aimed to find out strategic responses employed by East African Breweries Limited to changes in the external environment. The task included determining the main strategic responses by East African Breweries Limited to changes in the external environment; determining how East African Breweries Limited has employed its strategic responses to counter the external forces working against its operations and establishing the challenges East African Breweries Limited faces in responding to these changes in the external environment.

5.1 Summary

The researcher reviewed previous studies with a view to establish academic gaps which the present study sought to bridge. This was done through library research. The procedure included: reading, evaluating the methodology employed in terms of design choice, target population, sample and sampling procedure data collection instruments (that is suitability, validity and reliability), data collection procedures, data analysis, findings and recommendations. The researcher benefited so much from the literature review for it guided the present study by pointing to areas that need to be investigated.

This study employed quantitative research as the main approach to guide the study. The target population included all senior unit managers at EABL. The research instrument used was interview guides. To ensure validity of the instruments, expert opinion was sought. Data analysis was started immediately after the field. Data was summarized into frequencies and percentages and narrations for the open ended questions.

The study found out that all respondents were males aged between 33-37 years with majority having attained post graduate level of education. The findings also reveal that more than half of the respondents have worked in the company for 4-7 years with almost half of the respondents having specialized in sales as their career orientation. The findings

also indicate that respondents who participated in the study have the following designations; Divisional sales managers, Regional innovation manager, Sales and marketing Manager, CGI, Regional sales manager, Innovations Commercialization manager , Head of Trade development, General Manager, Key Accounts Manager International Exports, Distributor Development Manager, Brand Manager, Customer relations Representative, and Area Sales Manager.

The study reveals that EABL's vision is to be Eastern Africa's leading drinks' company while its mission is to be the most celebrated business in East Africa. The two are part and parcel of strategy; The vision and mission of EABL contributes to formulation of strategies that will ensure the company is leading in the market (Eastern Africa) and able to achieve its targets goal with the ever changing operating environment and these strategies are formulated in response to the markets changes; using the celebrated live everywhere and every day EABL has used the corporate affairs tree planting and water for life campaigns to get a social responsibility agenda to contribute immensely; and the company has focused on 7 critical areas to deliver it mission which are: consumer, customer, capability, capacity, competitors, community and compliance. All the areas look at what is happening in the external environment and the company thus has specific imperatives to deliver on each area.

The findings reveal that the respondents indicated under political/legal, economic, technological and social-cultural changes economic growth has led to stable performance for EABL in general. The respondents indicated that competition has forced EABL to innovate new brands to fill portfolio gaps, as well as create efficiencies internally through forward and backward integration strategies; competition has significantly grown the premium & mainsueam beer segments with marginal losses in our mainstream beer market share, however, in recent times competition in the premium sector has eroded our leadership in this category and traditional brews continue to hamper our growth in mainstream

Study findings depict that majority indicated that high levels of unemployment have led to reduction of disposable income generally. The respondents indicated that the regulatory environment has negatively affected the operating set up for EABL. This is so because

there are fewer outlets than before, and more severely, the implementing authorities have focused on over-regulating the legally operating section of the alcohol industry instead of the illicit end which is still thriving. The respondents indicated that systems like SAP have impacted processes very positively leading to reduction of costs and led to better planning; automated processes in Sales at both the distribution and sales team is also giving the organization better visibility of the selling function on top of saving related costs; simpler, faster, better in-touch in field sales, distributor management system, SAP, e-pay slips all enhancing efficiency; technology has enabled simple, faster and better operations especially in sales force effectiveness

The study findings show that all respondents indicated that EABL has achieved the importance and effectiveness of strategy implementation to respond to changes in the external environment. The respondents indicated that their unit at EABL respond to changes in external environment through; the function gathers insights through field sales reports, and these form the basis of both strategic and tactical responses; they continuously review their environment and respond to the changes in the external environment based on potential impact of each change and they have a risk foot print matrix that they use for this purpose; depending with the kind of change the unit responds and adjust to the new working environment to ensure its performance is not affected.

The study findings reveals board of directors is not much of an influence in strategy formulation, implementation and evaluation in the respondent's unit at EABL. A large proportion of the responses indicated that politics and struggle for dominance between Board of Directors is not a dominant factor or an influence in strategy formulation, implementation and evaluation in the respondent's unit at EABL since independence in decisions taken. The findings reveal that although resource is a major input into strategy development as well as implementation, EABL always acts within available resources without stretching beyond what is necessary hence resource is not a challenge. Level of technological changes will affect influence in strategy formulation but EABL always responds to technological changes and is a leader in using new ways within the alcohol industry.

5.2 Conclusions

Based on the findings of the study, the following main conclusions were made for strategic responses employed by East African Breweries Limited to changes in the external environment.

The study reveals that EABL continuously reviews its environment and respond to the changes in the external environment based on potential impact of each change and they have a risk foot print matrix that they use for this purpose; depending with the kind of change the units respond and adjust to the new working environment to ensure its performance is not affected; they have a rapid response kitty to respond to any new challenges that are not planned for in our strategic plans; and proactive response to changes through effective information gathering. EABL units gather insights through field sales reports forming basis of both strategic and tactical responses.

The study further indicated that EABL units have adopted two types of responses namely anticipatory approach which are driven by research on consumer and market trends and respective responses designed in order to maintain competitive advantage and stay ahead of the consumers and reactive approach which are driven by events happening in the market place that require responses ranging from competitor activities and changes in regulatory environment. In both approaches, there is high reliance on consumer research in order to deliver winning options; EABL does a scan and respond with pace like launching a new brand to fight new entrants; innovation; structural strategic change; based on company strategy using field information to advise changes in plans; constant feedback and gathering of intelligence; lobbying anti alcohol groups and creating partnerships with the government; alignment per internal guidelines; and all EABL plans and actions are informed by the changes in the market place meaning that their annual planning platform starts and ends with the external environment.

EABL is part of the global Diageo plc and resource availability not a big challenge when well justified since they influence directly especially on the speed of executing the strategies. Whenever possible, EABL tries to stick to strategic plans rather than react after competitive pressure; there is in place our SOA (statement of authority) that gives

guidance on approvals and level of decisions that can be made at the various levels. EABL's desire to grow always manifests itself through activities they carry out which must have a return on investment which will be in line with the company's strategy and annual mission. The strategies reflect the positioning of their brands in the market in consideration of looming competition from their rivals which is a critical driver and is closely tied to the EABL's Mission and Vision

From the study findings strategic plans always win over tactical, in case of conflict; environment is a key factor in determining the strategic choice; the organization checks the available opportunities; people; strategic choices on execution of activities done; limited choices and strict adherence to environmental laws; increased participation on environment plans; low influence; informed decisions; exploring the world of possibilities; and EABL is more consumer led. EABL has market opportunity leverage at the core of its plans, and therefore regards this very highly when formulating and executing strategies. Risk assessment is done on key decisions supported by decision support teams, this affects as it provides the company with an opportunity to grow and also introduce their brands in the new markets.

The study reveals that scanning the environment is an ongoing and continuous exercise at EABL. Scanning has to take place and a study/research done to ensure that desired outcome is achieved; EABL operates within an environment and whatever happens in the environment has either positive or negative implications and they recognize this and hence constant scanning of the environment happens. The study further reveals factors that influence the strategies adopted by the unit include: adaptability with existing systems at EABL is another influencer on strategy; global policies and regulations that affect the alcohol industry and good governance; urbanization; emerging middle class; security which determines the nature of strategies that can be adopted; Diageo Plc (Parent company) strategy; consumer / market trends in external markets; legal and political as well as technological trends; consumers demand; search and spin from previous activities; influence; monitoring and evaluation; and global trends.

The study, therefore, concludes that EABL continuously reviews/scans its environment and responds to the changes in the external environment based on potential impact of each change.

5.3 Recommendations

On the basis of the above, conclusions, the following recommendations were made for strategic responses employed by East African Breweries Limited to changes in the external environment.

5.3.1 Recommendations on policy

The study found out that although EABL has a stable performance and responds to its environment it is recommended that the management should be free in delivering other strategic goals geared to delivering the broad goal. EABL maintains an organic structure; directors' alignment on strategy; the board largely sanctions the strategic imperatives and directions that the Kenya and EABL exec present; and the board steers the group with the biggest influence being from the main shareholder Diageo, who has implemented standards across all areas such as marketing, governance, controls, health and safety and overall strategic direction. The ownership challenge meaning a lot more stakeholders are involved.

Secondly, the study recommends that the government and regulators should see to it that stringent measures are put in place to ensure the entire alcohol industry is equally regulated. Competitors not being compliant with various regulations; unpredictable changes in the world we live in; and reputation meaning that as a dominant business in the region, its critical for EABL to keep its reputation good as it impacts a lot of people and a bad reputation can mean a gate way for other competitors to come in.

5.3.2 Suggestions for further research

This study sought to determine strategic responses employed by East African Breweries Limited to changes in the external environment attempting to bridge the gap in knowledge that existed with major changes occurring in the operating environment that affect the alcohol industry. Although the study attained these, it mainly focused on

EABL. There is need to replicate the study with other alcohol companies in Kenya and draw a comparison in strategy formulation. There is also need to conduct a similar study which will attempt to find out competitive strategies and techniques for analyzing industries and competitors by EABL.

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APPENDICES

Appendix I: Letter of Introduction

Peter Mukiri
P.O Box 30197
Nairobi,
12th June 2012.

Dear Respondent,

RE: DATA COLLECTION

I am a student at the University of Nairobi. I am currently doing a research study to fulfill the requirements of the Award of Master of Business Administration on the **STRATEGIC RESPONSES BY EABL ON CHANGES IN THE EXTERNAL ENVIRONMENT.**

You have been selected to participate in this study and I would highly appreciate if you assisted me by responding to all questions in the attached questionnaire as completely, correctly and honestly as possible. Your response will be treated with utmost confidentiality and will be used only for research purposes of this study only.

Thank you in advance for your co-operation.

Yours faithfully,

Peter Mukiri
Researcher

Appendix II: Interview Guide

Instructions: Please respond to the following questions and where applicable, mark the relevant box with a tick (✓).

Confidentiality: The responses you provide will be strictly confidential. No reference will be made to any individual(s) in the report of the study.

PART A: RESPONDENT INFORMATION

1. Gender of respondent?
2. What is your age?
3. What is your highest education level?
4. How many years have you worked with the company?
5. What is your career orientation?
6. What is your designation at EABL?

PART B: ORGANIZATION AND ENVIRONMENT

This section seeks to gather information on changes from the external environment that impacts on the performance and survival of your organization.

7. Is EABL better at formulating strategic responses to changes in the external environment than at implementing these strategies and to what extent?
8. Please explain how the following political/legal, economic, technological and social-cultural changes have affected the performance of your organization?
 - (a) Kenya economic performance for the last ten years.
 - (b) New entrants and competitors in to the market/industry

- (c) Level of un-employment and disposable income in Kenya
- (d) Government Regulations and passage of new laws governing the alcoholic beverage industry.
- (e) New discoveries in technology and the speed of technology transfer in the industry of your operation
- (f) Changes in population demographics, social and cultural factors in your market of operation
- (g) Income distribution within the members of your organization
- (e) Which other changes from political, economic, legal, technological and social-cultural factors have impacted on the performance of your organization and how?

9. Has EABL achieved the importance and effectiveness of strategy implementation to respond to changes in the external environment and is East African Breweries Limited effective at implementing strategic responses to changes in the external environment?

PART C: STRATEGIC RESPONSES

This section seeks to gather information on the strategies adopted by EABL to counter the effects of the changes from the external environment.

10. How does your unit at EABL respond to changes in external environment?
11. When responding to the changes how does the following elements influence the strategies adopted by your organization.
- (i) The resources within your organization disposal
 - (ii) Organization internal priorities, risk avoidance and internal efficiency
 - (iii) Desire for growth and influence on the beverage sub-sector
 - (iv) Available strategic choices and low influence from environment
 - (v) Emerging market opportunities and moderate risk taking
 - (vi) Scanning the external environment for threats and trends
 - (vii) Which other factors influence the strategies adopted by your unit.

PART D: CHALLENGES OF STRATEGIC RESPONSES

This section seeks to find out the challenges which EABL faces in the process of formulating, implementation and evaluation of the strategies.

12. Please explain how the following perceived challenges to strategic responses to external environment affect strategy formulation, implementation and evaluation in your unit at EABL?

- a) Influence from the board of directors
- b) Politics and struggle for dominance between Board of Directors
- c) Availability of resources at EABL disposal
- d) Level of technological changes within the alcohol beverage sector
- e) Channels of communication between senior managers and lower level staff
- f) Resistance from lower level staff, distributors and Board of Directors
- g) Lack of effective strategy evaluation mechanisms
- h) Influence from the regulators
- i) Fear of retaliation from competitors

13. Which other challenges does EABL face in its strategic responses to changes in the external environment?

THANK YOU FOR YOUR TIME AND COOPERATION