STRATEGIC MANAGEMENT PRACTICES AT DHL GLOBAL FORWARDING KENYA LIMITED

BY

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DECLARATION

This research project is my original work and has not been presented for examination purpose to any other university, college or institution of higher learning.

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This project report has been presented for examination with my approval as the appointed University supervisor.

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DEDICATION

My felicitation goes to my parents who devoted themselves tirelessly to ensure that I acquired quality education and good quality upbringing and to my family members for their close association and fellow comrades for their moral support.

ACRONYMS AND ABBREVIATIONS

DB – it the registered business name of DB Schenker.

DHL – it the registered business name of DHL Global Forwarding.

DSV – it the registered business name of DSV Solutions.

KIFWA – Kenya International Freight and Warehousing Association.

NYK – it the registered business name of NYK Logistics.

SDV – it the registered business name of SDV Transami.

UPS – it the registered business name of UPS Supply Chain.

UTI – it the registered business name of UTi Worldwide.

ABSTRACT

Strategic management covers the general plans within an organization and also the process of incorporating environmental factors that guide decision making. The environment in which organizations operate has compelled organization to apply strategic planning as a pre-requisite in order to adapt to the ever changing environmental circumstances. Strategic management involves the analysis of both present and future environments. The organizational internal strengths are deployed to take advantage of external opportunities and enhance performance. DHL Global Forwarding is an international freight forwarding company that provides air freight, sea freight, road freight and customs clearance services in Kenya. This was a case study whose objective was to establish the strategic management practices adopted by DHL Global Forwarding Kenya Limited. The study used both primary and secondary data for the study. Primary data was obtained through an interview guide with top management that included the country manager, the head of strategy and heads of department and their deputies in finance, marketing, human resources, customs and logistics. The secondary data was obtained from published reports, company's internal articles and publications. The qualitative data obtained was analyzed using content analysis to present the findings of the study. The findings acknowledged that the organization formulated vision and mission statements and did environmental scanning and there was evidence of strategic planning, objectives setting and monitoring of strategy implementation. This implied that most strategic management approach and techniques can be adopted in most commercial enterprises. The limitation in the research study emanated from lengthy processes and red tapes within the organization to have the approvals for authorization to conduct research. More so, there was time limitation due to the respondents busy work schedules making data collection difficult. The study concludes that DHL management should guide its employees on the importance of the organizations strategic plan. This should include formulation and implementation of formal succession plans in all its departments, provide equal priorities to both strategy formulation and strategy implementation and conduct periodic monitoring and evaluation of strategic plans. The study recommends further research on factors affecting strategic management at DHL. Also, the study recommends research on the effectiveness of the strategic plans at DHL particularly the effectiveness of 2012 to 2017 strategic plan and to evaluate and find out whether the objectives were met.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Strategic management is the set of management decision and action that determines the long term performance of an organization. It includes both internal and external environmental scanning, strategy formulation (for strategic or long term planning), strategy implementation and evaluation and control. The research on strategic management therefore incorporates the basic steps of environmental scanning, strategy formulation, strategy implementation, and strategy monitoring and evaluation. Strategic management places more emphasizes on the monitoring and evaluation of external opportunities and threats in view of the organizations strength and weaknesses. A strategy to an organization is the roadmap or a plan of how an organization achieved its goals and objectives (David, 1989). According to Mintzberg et al (1999), strategy represented a commitment of present resources to future expectations.

Strategic managements' aim is to decide on organizational goals, the means of achieving those goals, and ensuring that the organization is positioned in a sustainable configuration in order to pursue the set goals. Strategies developed provide a foundation for managerial decision making (Chandler, 1962). David (1989) noted that strategic management is the set of management decision and action that determines the long term performance of an organization. It includes both internal and external environmental scanning, which guide the organization on the strategy (s) to adopt. The study on strategic management therefore emphasize on the monitoring and evaluation of external opportunities and threats in view of the organizations strength and weaknesses.

Strategic management fast tracks organization planned and emergent tasks that are performed by the business managers on behalf of the shareholders on the utilization of organization resources to improve the organizations performance on the external environment. This is because strategies are formulated to respond to the changing environment that faces the organization because management is sensitive to the context in which it is practiced (Aosa, 1992).

The freight forwarding industry in Kenya is guided by Kenya International Freight and Warehousing Association that has an acronym Kifwa. It is the body that champions for the business views of the freight forwarders. Freight forwarding industry provides a service that is used by companies that deal in international or multi-national import and export business. A freight forwarder handles the considerable logistics of this task for the client. DHL Global Forwarding in Kenya is within the global network of forwarders that connects contact countries and territories globally. It provides various ocean freight services and air freight services from the port of origin to the final destination (DHL International, 2008). DHL Global Forwarding Kenya Limited faces challenges such as low services level satisfaction from customers mainly on issues such as delayed cargo collection to and from the ports of origin, entry of smaller in size but efficient freight forwarders, segmentation and fragmentation of freight forwarding services where each product becomes a service on its own (specialization) and uncertainties about future business risks. DHL Global Forwarding has to be flexible enough to respond to these environmental challenges. Its top management has the responsibility to provide vision and direction, plan and implement strategies that will guide the company and safeguard its future.

1.1.1 Strategic Management

Strategic management has been mentioned as one of the effective management tool in strengthening organization performance through effective decision making and systematic strategy formulation and implementation. Every organization has many areas to improve or give better result. It is known that an organization exist for customers but the way to achieve this may not necessarily be same for all. Every organization has its unique strategic focus area (Haines, 1990). As observed by Aosa (1992) management is sensitive to the context in which it is practiced. This means that organizations that are in similar business do have distinct internal environment to the other organizations and as such do respond distinctively to the external environment. In so doing, the organization's strategic management practices will be significantly unique to the other organizations.

According to Haines (1990) strategic management focuses on planning, people, leadership and change in the way of carrying out day to day activities. This enables the people in the organization to develop strategic management systems with three main goals in mind. The first goal is to develop a strategic plan and document it. Then ensure successful implementation, and lastly sustain high performance, year after year. Haines (1990) reckons that today's organizations must keep pace with changes in their environment and reduce current expenses, waste and bureaucratic operations. They must completely reinvent their future vision, and then begin thinking backwards to this future with the strategies needed to remain successful. They must commit passionately to the disciplined management of the changes that occur along the way towards becoming a customer focused, high performance and learning organization.

Strategic management practice includes understanding the strategic position of an organization, making strategic choices for the future and managing strategy in action. The term strategic management underscores the importance of managers with regards to driving or leading the strategy. From experience it is noted that strategies do not happen by accident. Strategies involve human resource in an organization that make decision, formulate and implement strategy (Johnson et al, 2010).

Strategic management is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve company's objective. Strategic management deals with matters that are complex in nature which makes it necessary to make decisions and judgments based on the conceptualization of difficult issues. More so, strategic level refers to top-level management, thus, this management process is very comprehensive. It covers all the areas of the business and not specific to a particular function (Pearce and Robinson, 1998).

According to Osborne and Gaebler (1992), strategic management appeared to be part of a package management innovations design to "reinvent" or "modernize" the public sector. Strategic management was found to be an effective management tool in transforming a bureaucratic public sector to a more responsive and innovative administration. A broad and top-level strategic management can be compared with the specific and functional management sectors. Strategic management is relatively more important than any special functional area because all the functional areas come under the strategic management focus. Strategic management gives the ideology and basic guideline to all other functional areas. At present times, each functional area is directed towards the strategic focus (Collis and Montgomery, 1998).

Strategic management focuses on complex issues arising out of non clarity and non routine situations within the entire organization rather than a standalone challenge in a particular function. Managers who are mainly used in managing daily routine issues found it a major challenge to apply strategic management practice as a means of managing the enterprise (Johnson et al, 2010). According to Johnson et al (2010), the manager who aspires to manage or influence strategy needs to develop capability to take an overview, to conceive the entire organization (the aerial view of the organization) and not part of the challenge that faces the organization. Strategic management focuses into long-term goals, which are relatively broad, and are also important for the success of an organization.

1.1.2 The Freight Forwarding Industry

The freight forwarding industry in Kenya is guided by Kenya International Freight and Warehousing Association that has an acronym Kifwa. It is the body that champions for the business views of the freight forwarders. Kifwa, (2005) reckoned that there were more than 50 registered freight forwarders and over 1000 registered customs brokerage firms (clearing agents) in Kenya. The Kenya Revenue Authority's customs and excise department was responsible for registration and regulation of freight forwarders and the customs brokers firms (Kifwa, 2005).

Freight forwarding industry provided a service that was used by companies that dealt in international or multi-national import and export business. While the freight forwarders do not actually move the freight itself, they acted as an intermediary between the client and various providers of transportation services such as on land, air or sea and were subjected to regulatory requirements and legalities. A freight

forwarder handled the considerable logistics of this task for the client. Demand for freight forwarding services was driven by domestic manufacturing output and levels of international trade. Thus the profitability of individual companies depended on efficient operations, extensive relationships in shipper and carrier networks, and industry expertise. Large companies had advantages in account relationships and access to advanced logistics technologies. Small operations were competing effectively by serving a local market, specializing in cargo transfer with specific countries, and facilitating the transport of unusual goods (Kifwa, 2005).

According to Murphy and Daley, (2001), the United States (US) freight forwarding services industry included about 20,000 establishments. These were single location companies and unit of multi location companies (international), with combined annual revenue of about United States dollars fifty billion. Major companies included CH Robinson Worldwide, Expeditors International of Washington, Fedex Trade Networks, UPS Supply Chain Solutions and UTi Worldwide. Even though the US industry is fragmented, the top 50 companies accounted for about a third of the revenue. Some of the major international companies based outside the United States and operating in Kenya included DHL Supply Chain and DB Schenker both from Germany. Kuehne and Nagel and Panalpina that are based in Switzerland. CEVA logistics and SDV Transami those are French. DSV Solutions is from Denmark and Nippon Express and NYK Logistics from Japan (Murphy and Daley, 2001).

Alongside the international freight forwarders, there are the locally based freight forwarders, such as Siginon forwarders, Mitchell Cotts and Speedex who facilitated the freight forwarding services within the East Africa region. To survive the competition in the industry freight forwarders did negotiate the best possible price to

offer the service along the most economical route by working out various bids and choosing the one that best balances speed, cost and reliability. In the future, freight forwarders faced the dilemma of keeping their costs down while still providing top-notch services to their clients. The rising operational costs meant that at some point the industry had to revise their work methods in order to continue offering a competitive service. Otherwise, businesses that found shipping costs eroding their bottom line too much, might decide that they will only service a more local clientele or find alternate means of providing for their customers (Kifwa, 2005).

The freight forwarding industry has continued to thrive regardless of the challenges posed by the external environment (Kifwa, 2005). However, its growth might slow down some times in the future unless it is able to meet the infrastructure demands required of a constantly growing shipping industry. According to Murphy and Daley (2001), the growth of new trends in the freight forwarding industry had seen an increase in the number of freight forwarding companies all over the world and an improvement of the transport sector as a whole. This has made it possible for an exporter to send cargo to almost any part of the world at a competitive cost and in a faster timeframe.

1.1.3 DHL Global Forwarding

The history of DHL emanated from late sixties when three partners decided to put up a joint venture in parcel and light cargo transportation. The name DHL came from the first letters of the last names of the three company founders, Adrian Dalsey, Larry Hillblom and Robert Lynn. DHL is the internationally and locally registered company name. In 1969, just months after the world had marveled that Neil Armstrong's first

step on the moon, the three partners took another small step that would have a profound impact on the way the world does business.

The founders began to ship papers by airplane from San Francisco to Honolulu, beginning customs clearance of the ship's cargo before the actual arrival of the ship and dramatically reducing waiting time in the harbor. Erstwhile customers that were satisfied with its service stood to save a fortune (DHL International, 2008). This initial freight concept gave birth to a new industry, the international air express. That is, the rapid delivery of documents and shipments by airplane. The DHL Network continued to grow incrementally. The company expanded globally from Hawaii into the Far East and to the Pacific region, then the Middle East, Africa and Europe. By 1988, DHL was already present in 170 countries and had 16,000 employees (DHL International, 2008). Deutsche Post World Net and DHL consolidation began from 2002 where Deutsche Post World Net (DPWN) incorporated in Germany became the major shareholder in DHL. By the end of 2002, DHL was 100% owned by Deutsche Post World Net, (DHL International, 2008).

To date, DHL's global network brings together more than 220 countries and territories worldwide. Around 285,000 employees are dedicated to providing high quality services that exceed customers' expectations in more than 125,000 destinations, globally. DHL Global Forwarding in Kenya is within the global network of forwarders that connects contact countries and territories globally. It employs around 1000 employees who provide freight forwarding services in Kenya and the rest of East African region. DHL Global Forwarding in Kenya provides various ocean freight services and air freight services from the port of origin to the final destination. It also provides customs clearance and transport service (DHL International, 2008).

1.2 Research Problem

Strategic management is a major factor in an organization's growth and development. Johnson and Scholes (2010) reckons that strategic management provides central purpose and direction, enables management to adapt to the changing operating environment, enhances competitive edge, and allows allocation of responsibility to capable managers to enable strategy implementation. All organizations globally interact with the external environment and internal or operating environment (Pearce and Robinson, 2010). These factors together with the internationalization phenomenon, posed great challenges to all organizations and business firms. Due to this dynamism, organizations are therefore urged to adopt strategic management to ensure their continuation and development of a competitive edge over their competitors. Strategic management differs from one organization to another depending on the present environment that the organization finds itself in, because there is no universal approach to strategic management.

DHL Global Forwarding Kenya Limited faces challenges such as low services level satisfaction from customers mainly on issues such as delayed cargo collection to and from the ports of origin, entry of smaller in size but efficient freight forwarders, segmentation and fragmentation of freight forwarding services where each product becomes a service on its own (specialization) and uncertainties about future business risks. DHL Global Forwarding has to be flexible enough to respond to these environmental challenges. Its top management has the responsibility to provide vision and direction, plan and implement strategies that will guide the company and safeguard its future.

Various studies on strategic management practice have been conducted by various scholars such as (Aosa, 1992; Awino, 2001; Machuki, 2005; Koske, 2003; Bryson, 1989; Nutt and Backoff, 1992). From their studies they established that each organization that practiced strategic management be it state corporations, large corporations or small and medium enterprises had a distinct and organizations' clear formulation of vision and mission statements, environmental scanning and had independently formulated their strategic plans and implementation (even though they may have used the services of same consultant) and formulated their annual business plans. They observed that strategic management is a set of management decision whose aim is to decide on organizational goals, the means of achieving those goals, and ensuring that the organization is positioned in a sustainable composition in order to pursue the set goals and plan of action(s) that determines the long term performance of an organization, but there still existed a knowledge gap.

Due to the contextual and managerial differences among the studies carried out above in the various organizations, the studies therefore enlightened that strategic management was sensitive to the context in which it was practiced. Further, issues in strategic management practices gained from these previous studies may not be assumed to explain strategic management practices at the DHL Global Forwarding Kenya Limited. What were the strategic management practices at DHL Global Forwarding in Kenya?

1.3   Research Objective

The objective of the study was to establish the strategic management practices in DHL Global Forwarding in Kenya.

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1.4   Value of the study

The finding of the research adds the knowledge and understanding to the area of strategic management practices in business organizations. This study is of importance in the sense that it is a powerful tool for the managers who believes in change by adapting to strategic management practices from the traditional approach.

The study provides the freight forwarding industries and in particular DHL Global Forwarding Kenya with useful information on strategic management practices and as such develop effective strategy implementation, strategy monitoring and strategy control systems to mitigate challenges that emerge on strategic management practice. The findings of the study is valuable to researchers for further research work in areas of identified gap in knowledge, policy makers for making strategic decisions and academicians for generating alternative methods of practicing strategic management in an organization.

CHAPTER TWO: LITERATURE REVIEW

2.1   Introduction

This chapter presented the literature review on study done on the same study. The specific areas covered in this chapter included concept of strategy, strategic management, strategic management process and strategic management practice challenges that emerged in strategic management practice.

2.2   The Concept of Strategy

The senior management of an organization is concerned with the selection of a course of action from among different alternatives to meet the organizational objectives. The process by which objectives are formulated and achieved is known as strategic management and strategy acts as the means to achieve the objective. Strategy is the grand design or an overall 'plan' which an organization chooses in order to move or react towards the set of objectives by using its resources. Strategies most often devote a general program of action and an implied deployed of emphasis and resources to attain comprehensive objectives (Mintzberg, 1991).

An organization is considered efficient and operationally effective if it is characterized by coordination between objectives and strategies. There has to be integration of the parts into a complete structure. Strategy helps the organization to meet its uncertain situations with due diligence. Without a strategy, the organization is like a ship without a rudder. It is like a tramp, which has no particular destination to go to. Without an appropriate strategy effectively implemented, the future is always dark and hence, more are the chances of business failure (Johnson and Scholes, 1993).

2.3 Strategic Management

Strategic management is a dynamic process. It is the art and science of formulating, implementing, evaluating cross functional decisions that enabled a company to achieve its objectives. Strategic management has gained importance in recent years. During last century organizations focused on long-term planning. Long-term planning supposed that external and internal environment would remain stable for long period of time and thus they made plans for long duration. Today it is clear to the managers and entrepreneur's that environment can change at any point of time and their plans should follow a strategy that included contingency planning too (Fitzroy and Hulbert, 2010).

Ansoff (1965) noted strategic management was an ongoing process of formulating strategies for the organization that bring profit to the organization and create harmony between organization and its environment. It lists the strengths that the organization already possesses for the achievement of its objectives. It points out the weaknesses that hinder in goals accomplishment. It highlights the opportunities and markets that can be exploited in favor of the organization and threats that are present in external and internal environment.

Pearce and Robinson (1997) recognized that strategic management is a set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of the organization. They add that strategic management is of imminent importance because it involved the attention in determining the mission of the company, including broad statement about its purpose,

philosophy and goals. It enabled in developing a company profile that reflected internal conditions and capabilities.

Johnson et al, (2010) pointed out that strategic management has significant impact on long-term prosperity of the firm and they are future oriented in nature having multifunctional consequences. Strategic management decisions are corporate level decision therefore they tend to be value oriented and conceptual. Such decisions are also characterized by greater risk, cost, and profit potentials. At the other end of continuum, functional decisions are action oriented and they have relatively short-range focus, involve low risk and modest cost.

Strategic management differs from one organization to another depending on the present environment that the organization finds itself in, and there is no universal approach to strategic management. In this regard, strategic management process involves defining the appropriate organization's strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance (Pearce and Robinson, 1997).

Strategic management process has four steps, namely environmental scanning, strategy formulation, strategy implementation and strategy evaluation that are briefly described below. Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it. Strategy formulation is the process of deciding best course of

action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.

Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources. Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are, appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives. These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes (Pearce and Robinson, 1997).

2.4   Strategic management practices

Strategic management practices refer to the way an organization plans and coordinates all of its resources to achieve goals. Each strategic management practice begins with a foundation, this is the vision, which is translated into a mission or an understanding of where the organization needs to be in the future and then strategic objectives that enables planning on how to get there. Without strategic management practices or other planning-focused practices, organizations employ a more reactive style of management (Bryson, 1989).

For successful strategic management practices, an organization should understand the impact on strategy of external environment, internal resources and competences, and the expectations and influence of stakeholders (Johnson & Scholes, 2002). The organization exists in the context of a complex commercial, political, economic, social, technological, environmental and legal world. The environment is not static and keeps changing and more complex for some organizations than for others (Thompson, 1997).

According to Pearce and Robinson (2004), strategic management plan will not be successful without first planning how employees will be reorganized according to a new strategy. The resources and competences of the organization make up its strategic capability, which enables success in strategic management practices of chosen strategies. Just as there are outside influences on the organization and its choice on strategic management practices, so there are internal influences (Reed & Buckley, 1998).These internal factors constitute strengths and weaknesses, while outside influences depict opportunities and threats. Competences such as skills and know-how enhance successful strategic management practice.

A vision describes the direction a company intends to take in developing and strengthening its business. It lays out the company's strategic course in preparing for the future. A clearly articulated strategic vision communicates management's aspirations to stakeholders and helps drive the energies of organizations human resource in a common direction (Thompson et al, 2007). According to Johnson et al (2010), the vision of a company is what the company is trying to achieve over the medium to long term as formally declared in its mission statement. In practice, the terms vision and mission are used interchangeably. A vision is the strategic intent of

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the company's desired future state of what it wants to achieve in the long term. It is an aspiration around which a strategy formulator might seek to focus the attention and efforts of members of the organization.

The mission of a company is the unique purpose that distinguishes it apart from other companies of its type and identifies the scope of its operations. It describes the company's products, market and technological areas of emphasis in a way that reflects the values and priorities of the strategic decision makers (Pearce and Robinson, 1991). According to Haines (1990), an organization's mission is the purpose for organizations existence. It informs what the company is offering to the society. It may also include organizations value and philosophy about how the organization does its business and values its human capital.

Strategy formulation is the development of the long range plans for the effective management of environmental opportunities and threats in light of corporate strengths and weakness. Thompson and Strickland (1989) state that strategy formulation refers to the entire management function of establishing organization direction, setting objectives and devising a managerial set of action(s) for the organization to pursue. It includes defining corporate mission, specifying achievable objectives, developing strategies and setting policy. A key feature of strategic management formulation is identifying the organization strength, weakness, opportunity and threats also known as SWOT analysis. According to Johnson et al (2010), SWOT is a summary of key issues from the business environment and strategic capability of an organization that are most likely to impact on strategic development. The central purpose of the SWOT analysis is to identify strategies that align, fit or match a company's resources and capabilities to the demands of the environment which it operates.

When formulating strategies it also important for an organization to define its values. Thompson and Strickland (2007) define values as beliefs, traits and behavioral norms that company's human resources are expected to display in conducting the company's business. Values relate to areas such as relationship between the organization and its employees and customers, integrity, ethics, innovativeness, the capabilities to imitate and ensure clear differentiation, emphasis on quality or service and corporate social responsibility. Values determine employees' work ethic and how they will translate into performance effectiveness within the organization. Strategic formulation process also involves understanding the strategic position of the organization in terms of its external environment, internal resources and competences and the expectations and influences of stakeholders this is referred to as strategic analysis. Johnson et al (2007) states that when formulating strategies it is also important to know the leverages of the resources and competences of an organization to provide competitive advantage and yield new opportunities so as to understand which projects it can pursue successfully and which it cannot based on its strength and weaknesses.

Strategy implementation is referred to as the action stage of strategic management. Fitzroy and Hulbert (2010) define strategic implementation as a process by which strategies and policies are put into action through development programs, budgets and procedures. Strategic implementation is also concerned with the translation of strategy into organizational action through organization structure and design, resource and planning (Johnson et al, 2010). Strategy implementation requires a firm to establish annual objectives, devise policies, motivate employees and allocate resources so that formulated strategies can be executed.

According to Yabs (2010), the strategy implementation stage is often considered to be most difficult stage of strategic management. It requires personal discipline, commitment and sacrifice. When implementing strategies there is need to cultivate development of a strategy supportive culture, creation of an effective organization structure, redirecting of market efforts and motivating individual into action. Strategy evaluation and control is the process in which corporate activities and performance can be compared with desired performance (Fitzroy and Hulbert 2010). Managers need to know when particular strategies being put in place are not effective and thus managers at all levels use the clear, prompt, unbiased information for the people below the corporation's hierarchy to take corrective action and resolve problems. Strategy evaluation and control is vital for an organization's well being as it can alert management to actual and potential problems accurately. It can also be useful in highlighting weaknesses in previously implemented strategic plans and this stimulates the control of performance.

Yabs (2010) defines strategic management practices as management practices used in formulating a company's long term as well as short term plans to attain stated objectives. He adds that it refers to the entire process of defining the vision and mission, formulating, implementing and evaluating the preferred strategies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1   Introduction

This chapter discussed the research design and methodology of the study. It entailed the study design, the population, the data collection techniques and the data analysis method used in this study.

3.2   Research Design

This research was conducted as a case study of DHL Global Forwarding Kenya. A comprehensive study was conducted on the strategic management practices at DHL. DHL Global Forwarding is an international freight forwarding company that provides cargo freight services in Kenya and globally. The organization plays an important role in the freight industry, and studying its strategic management practices will be of value to many.

According to Mugenda and Mugenda, (2003) a case study allowed an investigation to retain the holistic and meaningful characteristics of actual events. Mugenda and Mugenda, (2003) noted that a case study involved a comprehensive and complete observation of social units. The case study aimed at getting detailed information regarding strategic management practice. The method studied in depth rather than breadth and placed more emphasis on the full analysis of a limited number of events or conditions and other interrelations.

3.3   Data Collection

Both primary and secondary data was collected and used for the study. Primary data was collected via personal interview with an interview guide while secondary data

was collected from published reports, company's publications, journals, periodicals and information obtained from the company's website. The interview guide had a list of questions that allowed for further probing. This was used in order to gain a better understanding and enable better and more insightful interpretation of the results from the study.

The researcher arranged for personal interview with the respondent through booking appointment(s) to visit the company premises. The respondents in this study were drawn from top level management that included the country manager and heads of department and their deputies in finance, marketing, human resources, customs and logistics and head of strategy.

3.4   Data Analysis

The researcher employed content analysis. This enabled systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). This method enabled the researcher to analyze and logically arrange the anticipated large data and compile the rest of the study. Content analysis was used to analyze the interviewees' views on how strategic management was practiced in DHL Global Forwarding in Kenya.

The researcher did an evaluation to ensure that the interview guide was edited for completeness and consistency. The researcher visited DHL Global Forwarding staff that included senior management and operational managers that were involved in the strategic management practice. The researcher presented the interview guide to the respondent and picked up discussion with the respondent on how strategic management was practiced in DHL Global Forwarding in Kenya.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The study had one objective, which was to establish the strategic management practices adopted by DHL Global Forwarding Limited. Primary data was collected through in –depth interviews with the country manager and heads of department and their deputies in finance, marketing, human resources, customs and logistics and head of strategy. The data was analyzed in relation to the study's objective and the findings are presented in the various classifications below.

4.2 Strategic Management Practices at DHL

The study explored the strategic management practices at DHL. It entailed the vision and mission, organizational planning practices, environmental scanning, setting of goals and objectives, organization structure, resource allocation, information technology facilitation, human resources, culture and change management.

4.2.1 Vision and Mission

The study established that DHL has vision and mission statement that are documented. The company's vision is "to become the Logistics Company for the World, providing freight forwarding services in a quick and efficient manner and at the customers' best interests in mind. The mission statement states that "Deutsche Post DHL takes its responsibility to society, to the communities in which we operate, to our employees and to the environment seriously – so seriously that we were one of the first companies to include corporate responsibility (CR) as an integral component in our corporate strategy. Deutsche Post DHL aims to advance and promote

sustainable development, taking into account our specific business activities, our competencies and the challenges our company faces".

It was established that the vision and mission statements were developed after thorough search and review. It started with the strategy planning function receiving views from the members at the corporate level, the management and members of staff within the country about where they would like to see the organization within the next five years. Interviews were also carried out with key logistics customers and service providers who include importers and exporters, cargo airline and sea vessels, customs regulators and freight forwarding authorities to name a few. The views collected were consolidated and presented to the management which then came up with the vision, mission and strategic goals in line with the global organization vision. The vision, mission and strategic goals were then endorsed by the board. At this point the management took over the role to develop strategies and the roadmap on how to achieve them. The vision and mission statements were disseminated to the organization in open discussion and in written format respectively. The country manager held open discussion with management staff and stressed the need for the management to observe strategic management at their departmental level. The heads of departments were urged to visit staff and hold meetings to sensitize and harmonize on the matter.

4.2.2 Organizational planning practices

The study established that a variety of plans were developed at DHL Global Forwarding. DHL had the overall organizational strategic plan as well as annual work plans derived by dissecting the strategic plan into yearly achievable targets. It was noted that the strategic plan is the reference point for all company plans.

The company divided its organizational planning into three categories. These are the short term plan, medium term plan and the long term plan. The short term plan focused on rapid results that are anticipated to be achieved within a year, for example financial year objectives. At the short term planning period, functions in the organizations highlight areas of concern and re align them with companies overall strategies. The medium term plan focus was between one and three years and then long term plan focuses on up to five years. The organizational plans focused on the balanced score card approach incorporating financial, customer, learning and growth and internal business process perspectives.

4.2.3 Environmental Scanning

There were several modalities put in place in order to assess the internal and external environment to enable decision makers to understand current and potential changes taking place in their institutions' external environments. It was noted that an external consultant had been invited to assist with strategic planning. The consultant used the PESTEL method while analyzing the external environment.

It was established that the views of the stakeholders were considered in the assessment of the environmental situation. The operations department carried out regular customer satisfaction surveys. In these periodical surveys, respondents were issued with interview guide and also interviewed to rate and score their experience with the company's services. Data obtained from the process was analyzed and presented to the country manager. This process enabled the management to gather information on how stakeholders perceive the company's services. The country manager and the rest of the management participated in environmental scanning by evaluating and monitoring departmental issues raised by employees.

4.2.4 Setting of Goals and Objectives

The study established that objectives set by the company were evaluated and captured in the strategic plan. Strategic plans contained annual work plans which were to be localized at the departmental level. Then each department prepared an annual budget that specified departmental requirements in terms of financial exposure. After this was finalized, modalities were put in place to roll out the whole process.

The process of setting organizational goals and objectives included all stakeholders. Directors, middle level managers and staff at DHL participated in strategic planning process. At the goals and objectives setting stage, the prevailing environmental opportunities and threats were taken into consideration. The goals were set in line with the organization's resources taking into account the strengths and weaknesses of the human resource and organizational capabilities. This ensured successful implementation of strategic plans.

The organization defined its values to ensure seamless achievement of its goals and objectives. As observed earlier in the study values relate to areas such as relationship between the organization and its employees and customers, integrity, ethics, innovativeness, organizational capabilities, emphasis on quality or service and corporate social responsibility. Values determine employees' work ethic and how they will translate into performance effectiveness within the organization.

4.2.5 Organization structure

The study established that the organizational structure review was already complete and approved by the parent company. DHL had a practical organization structure to

enable division of tasks into specific functions thus enabling the human resources in DHL to concentrate on departmental assignment.

It was established that targets as detailed in the strategic plan were to be achieved within the specific financial year. The country manager is the custodian of the strategic plan after it has been signed off by the director equatorial Africa. He ensures that the implementation plan has been cascaded down the organisation. The director equatorial Africa signs the document with the country manager who thereafter signs the same document with top management of the company who then signs the documents with the employees under their supervision. The cascading process aims to ensure that all employees are involved and committed towards implementation of the objects contained there in the document. The study established that through the balanced score card technique the progress of the strategy and its impact is assessed regularly by DHL management.

4.2.6 Resource allocation

The study established that resources such as finances to implement the strategies are allocated through the annual budgets where senior management is responsible for the preparation of departmental budgets. It was established that the strategic plan was broken down into annual work plans which were to be focused on by departments involved. Further to work plans, budgets are prepared and thereafter, sourcing for tools that are required to facilitate the process is prepared.

It was established that financial constraints were one of the limitations to implementation of the company's strategies. Financial constraint challenges are normally mitigated through funding from the company's headquarters. The sourcing

process was noted to be fairly slow therefore impeding the achievement of the departmental objectives. During the study it was established that human resource allocation was not sufficient to drive the process thus a major setback to the process.

4.2.7 Information Technology facilitation

The study established that the automation of various departments and processes has made a positive impact towards the performance of its operations. The company had incorporated an enterprise resource planner that fully automated the operations of the organization to a single information focal point, thus eliminating organizational unethical behavior such as manipulation of customers' freight files, receivables and payables among others.

Information technology enabled staff at DHL to gain knowledge on various activities at the company. Information technology had also enabled the organization to improve the speed of service delivery and has led to provision of high quality service. Technology is also used to enhance efficiency in human resource management and financial management. The management has also adopted information technology to improve record keeping.

4.2.8 Human resources

The study established that the management is fully aware that its people are the most important asset in the organization. The organization structure has incorporated reward and recognition and incentives to attract and retain employees more so top management who have a motivational role to play. It was established that the organization incentives would contain the challenge of high staff turnover.

The human resources function conducted internal and external recruitment for positions that are required for the implementation of the company's strategies. External recruitment is done via placement of job advertisement in the local dairies. It was established that DHL was an equal opportunity employer that had targeted to have well educated and experienced personnel.

4.2.9 Culture

It was established that the management in DHL understood that the values and beliefs shared throughout the organization did guide how the work in the organization was carried out. The company carries out team building sessions with its staff, meetings between staff and management are usually held where management outlines its expectations of staff in terms of targets to be achieved within certain deadlines, the staff is also informed of ongoing projects and also trained on matters relating to reporting and handling of tasks assigned to them.

In the company, organisation culture is used as mechanism for enhancing competitive edge derived from innovation and customer service, enhancing consistent and efficient employee performance, improved team cohesiveness, improved employee motivation and aligning the activities within the company towards achievement of organizational goals.

4.2.10 Change management

At DHL change management normally follows five stages which include recognition of factors triggering change, clarification of the expected outcome of change management process, planning how to achieve the change and coming up with plans

to ensure the change is lasting. During change management process, the structure, objectives, and performance measures are based on the mission and the strategic direction which, in turn, guide the decisions, activities and the outcomes of the organization's activities.

The outcomes of change management strategies at DHL are then measured against the overall mission and strategic objectives as well as performance expectations. In order to yield maximum gain, the organization has developed modalities in which the leadership fully support change management strategies. The management at DHL conducts training to all employees aimed at facilitating change management process. Plans are underway to implement change management strategies on a wider scale when it commences the implementation of a new organizational structure in the financial year 2012.

4.3 Discussion

4.3.1 Comparison with theory

The objective of the study was to establish the strategic management practices employed by the management at DHL. The objective of the study was met since the research was able to establish that management at DHL has indeed adopted a number of strategic management practices as highlighted in literature review.

The study established that the organization had well documented vision and mission statements, which were communicated to employees and other stakeholders in both written and one on one communication form. The entire management team is involved in propagating and communicating the vision as well as mission statements. This confirms Bryson's (1989) observation that the environment that the

organizations operate has necessitated strategic thinking in order cope with changing circumstances in the operating environment.

DHL used SWOT analysis to scan the external environment. Planning takes place at the company because the company operates on a long term strategic plan of five years. The strategic plan contains the strategic issues and challenges to be faced by the organisation, such as the vision and mission statements, situational analysis, the proposed organisation structure and the proposed staffing levels, funding and revenue sources, a monitoring and evaluation framework, monitoring methodologies and evaluation mechanisms and finally key assumptions and risks. This concurs with a study by Johnson et al, (2010) who observed that SWOT analysis creates a quick overview of a company's strategic situation through the dimensions of strengths, weakness, opportunities and threats. Pearce and Robinson, (2007) also noted that organizations must be alert for potential important outer ring developments, and from these developments the company then asses their impact and influence and adapts the company's direction and strategy as required.

PESTEL method is widely used as a method of scanning the environment in addition to SWOT analysis. In PESTEL analysis, DHL takes into consideration the political, economic, social, technology, environmental and legal issues affecting their operations. DHL's vision communicates desired future state of the organisation. It is an aspiration around which a strategist within the organisation seeks to focus the attention and efforts of members of the entire organisation. The vision also helps guide the actions and decisions of each member of the organization. The organization's mission clearly stipulates the purpose for the organizations existence and signifies what the organization is providing to society. The organizations strategy formulation process adopts a bottom up approach culminating at the board level

which approves the plan and hands it to the director equatorial Africa and then to the country manager for implementation.

According to Johnson et al, (2010) during the strategic implementation process, strategies and policies are put into action through development of programs, budgets and procedures. This study concurs because it is established that DHL set objectives were communicated to the members of the firm. Strategies were then developed from the objectives.

4.3.2 Comparison with other studies

Strategic management practices employed by the management at DHL concurred with various studies on strategic management practice that had been conducted by various scholars such as (Aosa, 1992; Awino, 2001; Machuki, 2005; Koske, 2003; Bryson, 1989; Nutt and Backoff, 1992). From their studies they established that each organization that practiced strategic management had a distinct and organizations' clear formulation of vision and mission statements, environmental scanning and had independently formulated their strategic plans and implementation and formulated their annual business plans.

The study established that in DHL the formulation of strategies was the responsibility of the management. The organizations indicated that all members of staff participated in strategic management process. Pearce and Robinson, (2007) indicated that involvement of all levels of staff in the strategic management process gives the staff a sense of ownership of the process. This observation concurs with strategic management practices at DHL.

CHAPTER FIVE: SUMMARY, CONCLUSION AND

RECOMMENDATIONS

5.1 Introduction

This chapter documents the summary of the study findings whose main objective was to establish the strategic management practices at DHL Global Forwarding Kenya. More so, the chapter includes conclusion made from the findings of the study, recommendation, suggestion for further study and limitations of the study.

5.2 Summary of Findings

The research findings on the strategic management practices engaged by the management of DHL Global Forwarding revealed that the company has a properly documented vision and mission statements, which are communicated to the staff and the board of directors in both written and discussion form. The organization involved the whole management team in disseminating and cascading organizational vision and mission. The study found out that the organization had a five year strategic plan which was further broken down in annual objectives for ease of implementation, monitoring and evaluation. The strategic plan contained the strategic issues and challenges to be faced by the organization, the vision and mission statements, organizations situational analysis, the proposed organizational structure, documented human resource structure, monetary resources allocation, a monitoring and evaluation framework that guides monitoring procedures and evaluation systems and then major assumptions and anticipated organizational exposure and risks. DHL Global Forwarding used SWOT analysis (that is strength, weakness, opportunities and threats) and PESTEL analyses, which stands for political, environmental, social,

technological, ecological and legal, to scan the external environment facing the organization.

At DHL the strategic formulation involves the setting of the mission, strategic objectives and core activities for the organization. As noted earlier, the strategic plan at DHL Global Forwarding Kenya is broken down to annual work plan to facilitate ease of implementation. The progress reports are prepared on a monthly basis and evaluated quarterly so as to monitor their achievement. The organization has institutionalized its strategic objectives by embracing a new refined organization design, human resource training and improved organizational policies. The study noted that DHL Global Forwarding placed great emphasis on its strategic choices to focus more on organizational needs, viability of its strategies while ensuring the availability of financial and human resources to drive the strategy. The study learnt that DHL developed strategies and plans by overhauling the system and revising decisions in the organization. The organization employed change management practices such as institutionalization of the change process and its outcomes in the organization while encouraging teamwork and effective communication within the organization.

5.3 Conclusion

The research found out that insufficient authorization of the employees by the management during the process of strategy implementation was impeding efforts of achieving the organizations strategy. As the organization focuses on implementation of the year 2012 to 2017 strategic plan, there is need for the management to fully

guide its employees on the importance of this plan so as to appreciate its full achievement.

The researcher noted that leadership change is imperative to the support of future corporate strategies. DHLs management has plans to implement a formal succession plan across key leadership position in the entire organization. The succession plan is planned to incorporate the training of departmental deputies on the strategic needs essential to manage the company fully in a changing environment. Succession planning establishes, a process that recruits employees, develops their skills and abilities and prepares them for advancement, this enhance the overall organizational value through investing in training. The study noted that succession planning is strategic, tactical and deliberate involving a clear understanding of how organizations need to change to conform to strategies designed to grow future leaders to meet those needs.

The study established that there was ample focus directed to the process of strategy formulation and implementation at the less emphasis on monitoring of strategy thus creating a gap. Although implementation is usually considered after strategy has been formulated, implementation is an integral part of strategic management. In this regard, strategy formulation and strategy implementation is viewed to serve the facilitation of strategic management practices in the organization. Strategy implementation is vital in organisations success and poor implementation has been blamed on a number of strategic failures. It was noted that organizing a company's activities and people to implement strategy requires more than reconstructing a corporate overall structure. It includes rejuvenating the way in which tasks are carried out at the departmental and

interdepartmental level. The research further noted that implementation of new strategies calls for new human capital management priorities and a different use of staff. As such staffing issues arising can invite hiring of new people with new skills and then harvest human resource that contribute minimal value either due to inappropriate or substandard skills. This challenge can be alleviated through training existing employees to learn new skills. Internal promotions should be based not only on current job performance but on also on the staffs skills and abilities that are required to implement the new strategy.

The study found out that there were gaps in monitoring of strategy. The measurement of performance is an essential component of evaluation and control. It was noted that the effort towards monitoring and measuring performance can create reactions that could interfere with overall corporate performance. While it is the responsibility of the top management to design structure in control system, it is imperative to put in mind that control system follows strategy. Unless controls ensure the use of the appropriate strategy to achievement objectives, there is strong likelihood that the misgivings will to a large extent undermine the implementation of the objectives. It was noted that proper controls should include only the minimal amount of information required to reveal a reliable view of events. This effort should be geared towards monitoring only meaningful activities and results regardless of measurement difficulty. Monitoring of performance should be done timely so that corrective action can be taken before it is for late and preferably short term and long term controls should be used. Controls should focus on identifying exceptions and finally controls should highlight the need of meeting and exceeding standards rather than use of punitive measures for failing to meet the standards.

Strategic management fast tracks organization planned and emergent tasks that are performed by the business managers on behalf of the shareholders on the utilization of organization resources to improve the organizations performance on the external environment. This is because strategies are formulated to respond to the changing environment that faces the organization because management is sensitive to the context in which it is practiced (Aosa, 1992).

5.4 Implications of the study

The researcher recommends that DHL management should fully guide its employees on the importance of the organisations strategic plan. This will ensure successful realization of the objectives detailed in the organizational strategic plan.

The management at DHL should formulate and implement formal succession plans in all its departments. This will ensure that the benefits of succession planning are realized in the entire organization. DHL management should also accord equal priorities to both strategy formulation and strategy implementation. This is important because poor implementation has been blamed on a number of strategic failures.

The research stressed that monitoring and evaluation of strategic plans should be carried out on regular basis. This will enable measurement of performance of various strategic plans and ensure achievement of organizational objectives.

5.5 Limitations of the study

The limitation in the study emanated from lengthy processes and bureaucracy within the organization. The researcher was required to have a number of approvals for authorization to conduct research. The respondents were busy engaged at work

making data collection difficult especially because the primary mode of collection was through the interview guide hence the need to keep postponing interview dates. The study searched for contradictions on the information given and no discrepancies were discovered.

Finally, due to the different kind of the responses from the interviews, content analysis was used in data analysis. The technique required ample time to arrive at the findings.

5.6 Suggestions for further research

The study recommends further research on factors affecting strategic management at DHL. This will enable identification of key performance indicators that can help in improving strategic management at DHL Global Forwarding in Kenya.

The study recommends further research on the effectiveness of the strategic plans at DHL particularly the effectiveness of 2012 to 2017 strategic plan. This strategic plan can be studied further to find out whether the objectives were met. This will provide important information on the benefits achieved in strategic planning and challenges met in the process of implementation of the strategic plans at DHL Global Forwarding Kenya.

The study encountered limitation that emanated from lengthy processes and bureaucracy within the organization. It has been noted earlier that every organization has many areas to improve or give better result. It is known that an organization exist for customers but the way to achieve this may not necessarily be same for all. As observed by Aosa (1992) management is sensitive to the context in which it is practiced. This means that organizations that are in similar business do have distinct

internal environment to the other organizations and as such do respond distinctively to the external environment. Such limitations should be addressed in the organizational strategic management that will streamline overall organizational processes.

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APPENDIX I: INTERVIEW GUIDE

Strategic management practices in DHL Global Forwarding Kenya Limited.

DEMOGRAPHIC INFORMATION

1. Name (optional) ....

2. Kindly highlight the level of your education ....

3. Briefly mention the department you work with..

4. Kindly mention your position in this department..

5. Briefly mention the number of years you have been serving at your current
   department...

STRATEGIC MANAGEMENT PRACTICES

6. Describe how strategic management is practiced in your organization?

7. Does DHL Global Forwarding Kenya have vision and mission statements?

8. What was the process of developing the vision and mission statements?

9. How is vision and mission communicated to employees?

10. What is the process of setting objectives for the company?

11. How is planning conducted at DHL Global Forwarding?

12. What is the process of developing strategic plans at DHL Global Forwarding?

13. Which tools and techniques are used to develop strategies at DHL Global
    Forwarding?

14. What is the process of implementing strategies at DHL Global Forwarding?

15. What challenges have been encountered in implementation of strategies at DHL
    Global Forwarding and how have they been dealt with?

16. How do you monitor and evaluate success of DHL Global Forwarding's strategic
    plan?

APPENDIX II: LIST OF FREIGHT FORWARDERS

The members of freight forwarders are of diverse status since some are international and others are local while others are large in operational size and others are smaller. They include freight forwarders in airfreight, ocean freight and road freight. The list of members is as follows.

1. Air Connection Limited
2. Andy Forwarders Services Limited
3. Amazon Freight Limited
4. Bax Logistics Limited
5. British Airways World Cargo
6. Box Clever (K) Limited
7. Cargo Lux (Kenya) Limited
8. CMA CGM Kenya Limited
9. Damco Nairobi
10. DFS Express Lines Limited
11. DHL Supply Chain
12. Express Kenya Limited
13. Exrol Logistics (Kenya) Limited
14. Fedex Kenya Limited
15. Freight Forwarders Kenya Limited
16. Freight In Time Limited
17. Globalfreight Logistics Limited
18. Interfreight Logistics Limited
19. Habo Agencies
20. Hellmann Worldwide Logistics
21. Kate Freight and Travel Limited
22. Kenya Airways Cargo
23. Kenfreight (EA) Limited
24. Kuehne + Nagel Limited
25. Limutti Holdings Limited

26. Meridian Shipping (EA) Logistics Limited

27. Mechanized Cargo Systems Limited

28. MSC Kenya Limited

29. Mitchell Cotts Freight Kenya Limited

30. Panalpina Kenya Limited

31. Rapid Kate Services Limited

32. Refco Forwarders Limited

33. Samsy International Agency Limited

34. Schenker & Co (East Africa) Limited

35. 3SDV Transami Limited

36. Seaways (K) Limited

37. Sea Air forwarders International Limited

38. Siginon Global Logistics

39. Spedition (K) Limited

40. Speedex Logistics Limited

41. Starfreight Limited

42. Swift Freight International (Kenya) Limited

43. Tabaki Freight Services International Limited

44. Tradeline Express Limited

45. Uneek Freight Services Limited

46. Union Logistics Limited

47. Urgent Cargo Handling Limited

48. Vinep Forwarders Limited

49. Wilhelmsen Ships Service

50. World Freight Logistics Limited