

**RESPONSE STRATEGIES ADOPTED BY MOTOR VEHICLE  
DEALERS IN KISUMU CITY, KENYA, TO CHANGES IN THE  
EXTERNAL ENVIRONMENT.**

**BY**

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## DECLARATION

This Research proposal is my original work and has not been presented for any award in any University.

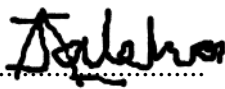
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## **DEDICATION**

This work is dedicated to my father, Charles Okuta, my wife Beverline Okuta, my Children, Trevor, Talia and Darius, and all those who made me reach this point of my education for the unwavering support all through my studies.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

**KABA** Kenya Auto Bazaar Association

**KAM** Kenya Association of Manufacturers

**KMI** Kenya Motor Industry Association

**KNBS** Kenya National Bureau of Statistics

**PESTEL** Political, Economic, Social, Technological, Environmental and Legal

**RBV** Resource Based View theory

**VRIN** Valuable, Rare, Imitable and Non – substitutable



## ABSTRACT

The business environment is highly amorphous characterised by high competition, unpredictable economic shifts, and the constantly changing customer preferences. To be able to survive and manoeuvre through such turbulent business environment, organizations need to formulate strategies that constantly match institutional capabilities to the prevailing external environmental requirements. This study investigated the response strategies adopted by motor vehicle dealers in Kisumu city, to external environmental changes. The study objective was to investigate the response strategies adopted by motor vehicle dealers in Kisumu City, external environmental changes. The study was modelled according to descriptive survey research design with mixed methods. Quantitative data was collected among 33 respondents drawn from 33 motor vehicle dealers operating in Kisumu using structured questionnaires. The data was then analysed through descriptive statistics and Pearson Correlation statistics of SPSS software. The study findings indicate embracing technology strategy (Mean= 4.93), cost leadership (Mean= 4.43), market development and penetration (Mean= 4.18), and diversification (Mean= 4.02) as the most frequently applied response strategies by the motor vehicle dealers in Kisumu against the external environmental changes. The findings also indicated that embracing technology (Mean= 4.92), followed by diversification (Mean= 4.75), market segmentation (Mean= 4.46) and cost leadership (Mean= 4.31) as the most effective response strategies adopted by motor vehicle dealers in Kisumu City. The study therefore concluded that embracing technology, cost leadership, market development and penetration and diversification strategies are the mostly applied and effective response strategies by the motor vehicle dealers in Kisumu City against external environmental changes. This study further recommends that policy makers should invest more on research and environment scanning, develop policies adaptable to changing environment and offer training to motor vehicle dealers on strategic thinking. It is also recommended that management of motor vehicle industry embrace strategic management and strategic thinking aimed at innovation and adoption of strategies that are flexible and aligned with their environment. The motor vehicle industry should embrace technology development, invest in diversification opportunities, adopt differentiation strategies and be innovative in order to stand out competitively and be successful in the volatile market.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Ongoing changes in socio-economic and environmental developments are shaping the global business landscape of the 21st century. Clark (2000) argues that for survival and success, there is need for organizations to formulate response strategies to allow them to constantly match their capabilities to the environmental requirements. Consequently, the constantly changing external environment demands that management continuously develop and implement response strategies intended to effectively address and exploit opportunities for prosperity (Mwiti, 2015). Aketch (2014) points out that globalization and technological challenges have forced organizations to enact sufficient response strategies for survival and sustainable growth. Thus, an organization's effectiveness is measured by how well it responds to the turbulent environment by adopting appropriate strategies (Kialyulo 2021). In the context of the unpredictable and environments that are uncertain, response strategies enables organizations to effectively address the emergent, exogenous and unexpected disturbances (Jovanovic, 2015).

This study conceptualization was mainly anchored in the Contingency theory (Lawrence & Lorsch, 1967), and complimented by the Resource Based View theory (Wernerfelt, 1984) and Game theory (Von Neumann & Morgenstern 1944). The Contingency theory posit that there is no ideal method of making response strategies, but the optimal course of action depends upon the organization's external environment. The RBV View theory suggests that for long term success, organizations must possess strategic resources which are valuable, difficult to imitate, rare, and un-substitutable, for developing value laden strategic responses. Game theory postulates that organizations make decisions on strategic responses in order to outmaneuver competitors. It helps organizations to reach optimal decisions when confronted by competing actors in setting response strategies.

The Kenya's motor vehicle sector is regarded as a national key economic pillar in terms of revenue generation and as such has attracted immense interest in the recent past. Consequently various transformations and market dynamics, the motor vehicle sector has undergone several challenges which have in turn drastically affected general performance of the sector. It should be noted that new motor vehicle dealers or franchise holders in Kenya are registered by Kenya Motor Industry Association (KMI) and used car dealers are registered by Kenya Auto Bazaar Association (KABA). Despite the different grouping, dealers of new and used motor vehicles are faced by stiff competition arising from imported second-hand vehicles which account for

about 70% of the market, lack of an institutional, regulatory and legal framework for the automotive industry, lack of the latest technology for assembling and manufacture of spare parts due to lack of affordable long-term financing options for the sector (Kenya Association of Manufacturers, 2020). Other challenges include tax, investment regulations and currency fluctuations that have substantively affected second hand cars importation in Kenya. It is within this context that a research is warranted to investigate the response strategies adopted by motor vehicle dealers in Kisumu City to the changes in the external environment

### **1.1.1 Concept of Response Strategy.**

Lansley (1987) defines a response strategy as being a rapid and creative reaction that requires development of new linkages with the environment. It is an organisation's strategic decision making capability in reacting to the changes in the external environment (Waddock & Isabella 1989). Response strategy is also defined as specific decisions and actions taken with intention to formalize and implement plans designed to achieve goals and objectives of an organization (Pearce & Robinson 2007). According to Ansoff and McDonnel (1990), a response strategy refers to a tactical moves or actions by an organization to counter competition effects. Response strategy is also viewed as the ability to appropriately and effectively respond and deals with the challenges posed by environmental changes (Kialyulo 2021). Thus, strategic responses ensure the survival of the organizations by ensuring they remain relevant in the environment in which they serve.

Miles et al. (1978) proposed the strategy typology that classified response strategies as consisting of analyzers, defenders, prospectors, and reactors. Organizations apply varied strategies in trying to respond to external environmental forces through human resource management practices, adoption of information technology and other organizational strategies respectively (Waiguru 2015). According to Porter (1995) response strategies can be classified as corporate, functional and business. Corporate strategies include strategic alliances, takeovers, acquisitions, joint ventures, divestment, turnaround, liquidation, and mergers. In business, response strategies include cost leadership, differentiation, and focus. Functional strategy refers to the development and nurturing of a unique competence for a competitive advantage by maximizing resource productivity (Abdul 2012). According to Ansoff (1957), corporate response strategies like diversification, product development, market penetration, and market development may be considered by firms to grow their business. Wenzel et al., (2020) describe response strategies as involving retrenchment, persevering, innovating, and

exiting the market. The strategies provide roadmap or guidelines for both the management and staff on how to respond to uncertainties or crisis at different times; weather short, medium, or long term, or any time. This study will adopt Ansoff's (1957) and Wenzel et al., (2020) frameworks as they are applicable to both new and imported motor vehicle dealers in Kisumu county in the context of external environmental changes, which have impacted on the industry both in the short and long-term basis.

Studies on response strategies have been inconclusive. While Mundia (2016) established that product innovation strategies provided a means of generating revenues, safeguarding and improving quality and saving costs, Agboola (2011) established that rapid changes in the external environment and organizational culture impeded an organization's ability to effectively and quickly develop innovative response strategies.

### **1.1.2 External Environment**

Hunger et al., (2012) defined external environment as the total sum of external factors existing in the form of legal, economic, technological, political, and social factors that are out of the organization's control. Chollom (2021) defines the external environment as the forces and conditions that are external to the organization and are beyond the organization's control. It is the totality of the external social and physical factors that directly influence the organization's ability to make decisions and take advantage of opportunities and mitigate threats (Bourgeois, 1980). The external or task environment is defined as all factors that exist outside the company and closely related to the company. Hence, the external environment is an organization's cluster of factors, outside the organization that are beyond her control that may influence her survival (Murgor, 2014), while external environment refers to a group of factors that are outside the organization but affect it in some ways.

There are three frameworks scholars have used to describe the external environment (Van Dut, 2015). The first framework focuses on factors external to the organization that affect its activities, which include the political, economic, social, technological, environmental and Legal (PESTEL) (Johnson & Glick 2002). The second view emphasizes on the effects due to external factors, such as munificence, dynamism and complexity (Dess and Beard 1984). When emphasis is placed on the extent of resource availability, munificence is the primary attribute (Castrogiovanni, 2002), and when it's on the kind of unpredictable information, complexity and dynamism are the key attributes (Tan & Litschert, 1994). This perspective focuses much on management perceptions and archival records of environmental factors (Miller & Glick 2006). While the perceptual approach

can lead to biasness in reporting, the unavailability of archival data to capture the appropriate external environment phenomena is more pronounced (Miller & Glick 2006). This study will adopt the perceptual approach to external environmental factors using the PESTEL framework and their manifestations in terms of munificence, dynamism and complexity.

Scholars have argued that some external environment factors such as the economic, legal, political, social, and technological factors are naturally and constantly changing, are unpredictable, uncontrollable, unstable, and chaotic (Adeoye & Elegunde, 2012). Organization's performance thus is dependent on her ability or inability to adapt to her immediate environment. A study by Auzair (2011) pointed out that rapid changes in ICT development renders most products from organizations obsolete. Consequently, clear understanding of both socio-economic, technological, political, and legal, environment can significantly influence the organization's capability to identify challenges and opportunities. This study adopts both the social, political, legal, economic, and technology development factors that may manifest in terms of munificence, dynamism and complexity as a basis for describing the external environment factors (Wheelen et al., 2015).

### **1.1.3 Motor Vehicle Dealers in Kisumu City.**

Motor Vehicle industry is a major driver in Kenya's economy and as a main driver of macro-economic growth and stability. The government has supported the sector by providing a favorable environment through which assemblers import the parts to be assembled in the country and also increasing capacity building by collaborating with TVET institutions. However, the major setback to sale of new vehicle in Kenya still remains the affordable (cheap) second-hand cars imported from the US, Japan and Europe. According to the draft National Automotive Policy 2020, majority of Kenyans import about 85- 90 per cent of vehicles. In addition, imported Chinese vehicles have created an unfair cost competitiveness advantage, which inhibits the growth of local producers. Based on the Kenya National Bureau of Statistics (KNBS), statistics indicate an increase the volume of vehicles imported between 2005 (33,000 units) and 2017 (120,000 units) showing a whopping over 300 per cent growth. This has led to intense competition within the Kenyan motor industry as customers demand quality and better service. Thus, the motor industry is changing and like other dealers, motor vehicle dealers in Kisumu city have to weather such environmental challenges and become better than others.

The motor vehicle dealers in Kisumu City are engaged in the supply and distribution of motor vehicles including parts, accessories and regular maintenance of their clients' vehicles. They have a well-established state of the art garages with highly qualified personnel who offer after sales services and long term service contracts especially to Government institutions, corporate, NGOs and wealthy individuals. On the other hand, used second hand motor vehicle dealers are only involved in the sales and distribution of motor vehicles to any buyer who is able to meet their terms. They have opened highly secured large show rooms within the central business district where vehicles are displayed and sold to the public either by cash or through credit facilities. The motor vehicle dealers in Kisumu city are constantly facing stiffer competition from both briefcase businessmen and non-franchised companies selling a mix of both new and used vehicles (second-hand) to potential buyers. In addition, franchise car dealers have also ventured into car trade-in business to shore up new vehicle sales amid competition from used car imports. This kind of competition within the motor industry has put many dealers on alert by constantly monitoring their operating environment and coming up with relevant response strategies due to of the changes in the external environment.

## **1.2 Research Problem.**

Organizations must cope with the increasingly complex and dynamic environment by continuously rethinking their strategies. A study by Tansey et al., (2013) established that in economic recessions, firms adopted differentiation strategies. A study by Lim et al., (2010) on the adoptive strategies applied by organizations in a prolonged recession established that they implemented strict management to avoid material wastage and conserve the firm's finances by strictly adhering to procurement and cash flow procedures. They also froze salaries and stopped hiring. These studies however, were conducted in different contextual settings in the UK and Singapore, and their findings cannot apply to this present study. A study by Elung'ata (2014) established that mobile phone companies in Kenya adopted information technology, marketing, change management, leadership and culture and restructuring as response strategies due to external environmental changes. A study by Kaiyulo (2021) on response strategies and performance of Kenya Commercial Bank, established that retrenchment, investment enterprise risk management and strategic outsourcing strategies respectively, influenced the organization's performance positively. However, the study majored on establishing the relationship between response strategies and performance, thus a methodological gap.

Motor vehicle dealers in Kisumu City have employed a significant number of people as well as offering support services to different sectors. Majority of the dealers are importers of used

motor of vehicles and spare-parts components, given the notably increasing number of dealers selling vehicles after the liberation of the motor industry in 1992. This also marked the end of a period where the franchised dealers of new motor vehicles were guaranteed market opportunities and access to customers. Despite the liberalization of the economy, the franchise motor vehicle dealers in Kisumu City still play a major role in the sale and distribution of vehicles though on a limited scale. The increase in the number of dealers has created stiff competition in addition to the constant changes in the external environmental factors in legislations, technology, social cultural and economic conditions. This has impacted on the motor vehicle dealers in Kisumu, thus necessitating adoption of new response strategies for survival and success.

Prior empirical studies have been done on adoption of response strategies to the external environmental changes. A study by Lim et al., (2010) on the survival strategies applied by organizations during prolonged recession, established that they employed strict material waste management strategy to cut on wastage, and strict adherence to procurement and cash-flow procedures for effective financial management. However, the study only focused on construction firms in the UK under periods of recession. This present study will focus on response strategies to external environmental changes in the motor industry. A study by Kamau (2014) on response strategies adopted to environmental changes by SMES's in Eastleigh Business District, Nairobi County, Kenya, found out that they adopted low price, high levels of customer care services, quality goods and services and speed in delivery of goods. Mathooko & Ogutu (2014) concluded that Kenyan universities had adopted related diversification strategy, strategic alliances and expansion coupled with key operational strategies like distributed leadership, benchmarking, and mounting of evening and weekend programmes as response strategies that bore desired results. Weor (2018) established that Kenyan banks adopted knowledge management as a tool to advance firm competitiveness, while operational strategies significantly contributed to the banks' competitiveness through fast, secure and reliable service delivery mechanisms.

In the motor industry, Mulei (2009) on the strategic responses to challenges due to liberalization by DT Dobie Kenya Limited, established that the firm engaged in intense advertisement, competitive pricing, beefing its physical and managerial standards and undertaking cost reduction through outsourcing of non-core products and services. However, the study applied a case study design, while the current study will use a survey design to fill

the methodological gap. Watta (2013), on competitive strategies applied by used or second hand motor vehicle dealers in Nairobi, concluded that corporate growth and development strategies enhanced competitiveness. While the study focused on second hand motor dealers, this present study will focus on both new and second hand motor dealers in Kisumu City.

The studies cited have revealed a number of contextual, methodological and conceptual gaps. Most studies have focussed on either new or used motor vehicle dealers despite both dealers trading in both new and used vehicles, thus a contextual gap. Other studies have investigated the relationship between response strategies and organization's performance or competitive advantage, hence a conceptual gap. Thus, this study seeks to fill these gaps by responding to the following research question: What are the response strategies adopted by motor vehicle dealers in Kisumu City, to external environmental changes?

### **1.3 Research Objective.**

This study aimed to investigate the response strategies adopted by motor vehicle dealers in Kisumu City, Kenya, to external environmental changes.

### **1.4 Value of the study.**

This study will benefit researchers and academicians based on its findings which will enable them to highlight the importance of the external environment in understanding the appropriate response strategies. The Contingency theory as applied in this study will provide a theoretical framework of response strategies to external environmental changes and combine arguments from the Resource Based View and Game theories, to get a complete picture by establishing the various types of response strategies to external environmental changes.

The study findings will be of value to practitioners and management consultants to have a clear understanding of the applicable response strategies to the various external environmental changes forces. The findings will further aid the consultants, to offer advice to dealers of motor vehicles operating in different environmental and contextual settings, on the appropriate response strategies and recommend on effective typologies of response strategies.

Conclusions from this study will be a useful starting point of information to the top policy formulators to motor vehicle dealers and Government, specifically the Ministry of Industrialization, Trade and Enterprise Development. Since the motor vehicle industry plays fundamental role in the national socio-economic development process, the study will contribute



to a policy framework on how motor vehicle dealers could formulate a policy framework for effective implementation of response strategies to external environmental changes. This study will also enable the government through the relevant Ministry to formulate and implement a national automotive policy that will anchor the institutional, legal, and regulatory framework aimed at advancing the motor vehicle industry in Kenya

## **CHAPTER TWO: LITERATURE REVIEW.**

### **2.1 Introduction.**

This chapter presented the theoretical framework of the study and empirical review of literature on response strategies adopted by firms to changes in the external environmental. The aim was to identify the emerging research gaps that formed the basis of addressing the research question and ultimately the study objectives.

### **2.2 Theoretical Perspective.**

The Contingency theory as the main theory of this study, posits that firms adopt response strategies to align their characteristics with the external environmental contingencies (Lawrence & Lorsch, 1967). The theory will be complimented by the Resource Based View Theory which postulates that resources of a firm provide the basis for enacting response strategies for adaptation reasons and success in a turbulent and unpredictable external environment (Wernerfelt, 1984). The Game theory argues that the best response strategy to changes in the external environmental is one that produces the most favorable outcome for the firm while taking cognizant of competitors strategies (Neumann and Morgenstern 1944).

#### **2.2.1 The Contingency Theory**

Contingency theory posit that there are no ideal response strategy a firm can adopt but the optimal strategy depends upon the external and internal situation. Thus, environmental factors play critical role in the determination of the firm's strategic direction, (Mathooko & Ogutu, 2014). The theory suggests that for a firm to be effective, her characteristics must correspond with the external environment. The implication is that an organization's ability to influence success is subject to both organizational and environmental factors, (Carpenter & Golden, 1997; Finkelstein & Boyd, 1998). The Contingency theory argues that while organizational survival does not mean it must adopt the highest level of alignment, but to adopt the appropriate level of response strategies variables that match with some level of the external environment (Donaldson, 2001). While the contingency theory has been criticized for not providing for the specific response strategies or actions to be taken under different situations (Tillotson 1980), this study finds this theory relevant because it will be used to explains how uncertainties in the external environment presents managers with unique challenges that require innovative response strategies to fit the unique challenges.

### **2.2.2 Resource Based View Theory**

The Resource Based View theory, (Wernerfelt, 1984) proffers that in rapidly changing environments, the organization's strategic resources and capabilities form the basis of developing sustainable response strategies. According to Sok et al., (2013), RBV's view on response strategy is that it is considered a valuable and rare resource and core capability if it can enable a firm to achieve her long term success in the midst of turbulent external environment. The RBV theory suggests that an organization can only be in an ideal position in the market if it is able to create resources that are unique that makes it impossible for its competitors to imitate the resource (Wernerfelt, 1984). Consequently, the organization's success in a dynamic external environment occurs when it uses a value-creating response strategy that is not being used by competing organizations (Barney, 1991). While the theory has faced a lot of criticism for its idea of merely telling managers to obtain valuable, rare, imitable and non – substitutable (VRIN) resources, without adequately offering information on how to achieve this, (Miller, 2003), the theory is relevant to this study since the organization's response strategy is considered a resource if it enables the organization to seamlessly adapt to the external environmental changes by developing appropriate response strategies such as innovation, efficiency, quality and customer responsiveness (Barney et al., 2001).

### **2.2.3 Game Theory**

Game theory (Neumann & Morgenstern, 1944) examines the response strategy decisions that an organization makes in order to outwit the competitors in a continuously changing external environment. A strategic game involves two or more organizations making choices of response strategies in which each may gain or lose depending on the response strategies taken by the other organizations (Miles, 2012). The theory posits that amongst different choices available, there might be a dominant response strategy that can offer payoff optimally to an organization despite the actions of the rivals (Parkhe, 1993). Thus in a changing environment, there is a finite number of response strategies that can be employed by organization. Among the possible decision alternatives, there may be a winning response strategy that offers the optimal payoff to the organization despite the actions taken by the competition. While critics argue that game theory predictions are best with perfect information, the theory is relevant to this study as it helps organizations to predict success of interactions among competing organizations in a dynamic external environment.

### **2.3 Response Strategies to Changes in the External Environment**

The contemporary external environment is characterized by constant changes that require organizations to continuously formulate and implement appropriate response strategies aimed at effectively and efficiently addressing challenges. Hence, organizations are compelled to constantly rethink their response strategies in trying to survive the harsh competition coupled with dynamic environment. Various empirical studies have been done on response strategies and external environmental changes. A study by Fauzi et al., (2022) on response strategies to the effects of external environmental changes in digital entrepreneurship found out that digital entrepreneurs explored advanced technology in value creation and product development. The study however, focused on technology as the only external environmental factor and thus a conceptual gap that this present study will address by investigating other external environment variables.

A study by Tansey et al., (2013) on response strategies, established that construction companies in the United Kingdom adopted differentiation in products and services, investment in R&D adopted new technologies, increased advertising and marketing, improved stakeholders' - firm relationships for survival in an economic recession. However, the study only focused on construction firms in UK, while this present study will focus on the motor industry in Kisumu City, Kenya in filling the contextual gap. Tan et al, (2012) on the competitive strategies applied by firms during challenging times established that they adopted different strategic orientations such as prospectors, analysers, defenders, and reactors. However, the study majored on the economic dimension of the environment and how it impacted on performance, while this study will focus on the PESTLE factors, thus addressing the both the conceptual and methodological gaps. A study by Suh (2018) on response strategies adopted by second-hand cars dealership entrepreneurs for survival due to the stiff competition in Colorado USA established that they engaged in increased marketing and customer care and revamped business knowledge strategies for sustained growth. While the study focused on used car dealers in USA, this present study will focus on both new and used car dealers in Kisumu City, Kenya, thus a contextual gap.

A study by Ambe (2017) on strategies employed by light vehicle manufacturers in South Africa revealed that location, production, transportation, inventory, sourcing, information, and pricing were critical in formulating supply-chain strategies. The study, unlike this present study, focused on the supply chain strategies used by South Africa light vehicle manufactures, thus emergence of both conceptual and contextual gap. Mashigo et al., (2015) evaluated after sales

services by competing motor vehicle brands in South Africa and found out that service innovations, integration among people, products, and technology and incentive systems as response strategies that were key in dealing with the competition. Thunde (2010) on investigating how grey imports impacted brand new car dealers in Botswana and Malawi concluded that for survival and success, the new car dealers engaged in intense marketing of back-up services. The study unlike this present study focused on how grey import cars affected sales volume and did not dovetail towards response strategies, thus, a conceptual gap.

A case study by Aketch, (2014), on how Sony Sugar Company Limited responded to external environmental changes, established that the firm adopted environmental scanning, modernization, differentiation, backward integration, partnership, bench marking, optimization, diversification, product and market development, outsourcing, national focus strategies and total quality management. However, this was a case study in the sugar sector, whose findings cannot be generalized to apply to motor vehicle dealers in Kisumu City, Kenya, thus a methodological gap. Wambua (2008) on response strategies used by Postal Corporation of Kenya to respond to the external environment, found out that it adopted market penetration, product differentiation, technology adoption and product diversification which significantly increased the company's adaptation and survival in the dynamic external environment. Mwiti (2013) study on response strategies used by Taifa SACCO society Limited to survive external environmental changes established that the firm adopted lobbying, market development, product development, modern technology with continuous training of staff and networking. However, the studies cited above adopted case designs in different sectors and thus methodological and contextual gaps.

A study by Kassim (2018) on how automobile dealers in Mombasa strategically responded to policy adjustments regarding the importation of used motor vehicles, established that they adopted collaborative partnerships, embracing technology, diversification to related and unrelated industries, rebranding, change of personnel, systems and controls. While the study concentrated on the influence of the government in determining the response strategies, this present study will adopt the PESTLE framework and its manifestations to address the conceptual gap. A Study by Wamai (2011) investigated how Kenya Motor Industry Association members responded to environmental changes and found out that they adopted focused on specific clientele, differentiation and market segments due to competition forces the external environment. The study however did not focus on motor vehicle dealers in Kisumu County. Muchiri (2014) also investigated competitive strategies used by motor vehicle parts

manufacturing organizations in Kenya and established that they adopted differentiation, cost leadership and focus strategies as survival techniques. While the study adopted Porter's (1985) framework, hence a conceptual gap, this present study will adopt a combination of typologies, including Porter's to address the research question. A study by Ombui, (2018) closely examined the competitive forces that influenced performance of new vehicle companies in Nairobi, and established that performance was significantly impeded by importation of second-hand cars. Louisa, (2021) examined how the porter's generic strategies influenced automotive organizations' performance in Nairobi County and established that differentiation, cost leadership, and focus strategies positively influenced performance. However, unlike the present study, the cited studies focused on establishing a relationship between competitive forces and performance, thus a conceptual gap.

#### **2.4 Summary of the Knowledge Gaps**

Empirical literature reviewed on the response strategies adopted due to external environmental changes indicate mixed findings. Such findings could be attributed to the different ways the constructs of response strategies and external environment have been operationalized. Most prior studies have adopted Porter's (1985) generic strategies and focused on changes of a single factor of the external environment. Other studies have used different typologies of response strategies and hence their findings and conclusions cannot be generalized. Studies have also used different properties of the external environment in different contextual settings. Findings are also equivocal as different studies have either used case or survey designs. To address this lacuna, this present study will investigate response strategies by organizations to external environmental changes.

## **CHAPTER THREE: RESEARCH METHODOLOGY.**

### **3.1 Introduction**

This section explained the research design that was applied in this study, the target population, data collection instruments, and data analysis methodology.

### **3.2. Research Design**

This study was modelled according to descriptive survey research design. The choice of the design was because it allowed the researcher to collect information without manipulating the environment (Casula et al., (2021). Blumberg, Cooper, & Schindler, (2014) argue that descriptive design is mainly concerned with establishing when, what and how of a phenomena at a particular point in time. Using this design, it allowed the researcher to either use part of or the entire population to conduct an investigation aimed at responding to the research questions. Cross-sectional studies allow researchers to collect from a large pool of participants large amounts of information quite quickly since data is mostly obtained cheaply using self -reported surveys.

Cross-sectional studies are known to measure variations in organizational outcomes, describe population characteristics as well as describe organization's success determinants. The design was important in establishing preliminary evidence as a basis for future studies. With respect to data collection period, it was conducted across all the motor vehicle dealers in Kisumu City, Kenya, at a particular time period. This design had been successfully been used in similar studies (Kassim, 2018; Kabure, 2021).

### **3.3 Target Population**

This study target population were all the 37 motor vehicle dealer organizations in Kisumu City to form part of its study population (See Appendix II). Since all the motor vehicle dealers were targeted, a census survey was deemed appropriate as it enabled the research to achieve a high degree of statistical confidence, ensuring adequate representation, accuracy and reliability.

### **3.5 Data Collection**

This study collected primary data (quantitative in nature) through a self administered structured questionnaire. The data collection tool was a 5 point Likert scale type questionnaire. The scale range was from 1 – not at all to 5 – a very large extent. The scale statements consisted of both positively and negatively worded statements testing the attitude towards the object of the study (Cooper & Schindler 2014). Using the likert, the respondent were asked to indicate their level of agreement or disagreement with each statement. The questionnaire questions were generated

from previous empirical studies that matched objective of the study. The questionnaire was divided into three sections with close ended questions. Section one captured the organization's demographic information; section two, external environmental factors influencing response strategies; section three, the response strategies adopted by the organizations. The respondents were the owners or designated director, head of department or general manager as they were the most suited to respond to the research questions based on their experience, knowledge and understanding level given their involvement in executive decisions and execution at corporate level. This study required one respondent from each organization to fill the questionnaire. This was meant to help avoid any duplication cases that may arise (Cooper and Schindler 2014).

### **3.6 Data Analysis Techniques**

The study used both descriptive and inferential statistics data analysis techniques. Descriptive statistics in the form of measures of frequency distribution, central tendency, mean, tests of significance and percentages were computed to analyze data in order to determine normality of data. For inferential statistics this study applied, Pearson Product Moment Correlation technique denoted by  $r$ . The purpose was to establish the significance levels of the relationships between external environmental changes and response strategies adopted by the motor vehicle industry in Kisumu. Significance was tested at 95% confidence level, which implied that 95 out of 100 is a sure sign of a significant relationship between the two variables, leaving a 5% chance or allowance that either the relationship don't exist or exists but is insignificant. Through data analysis the study sought to respond to the research objectives and questions (Bryman and Cramer, 2009).



## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND DISCUSSION**

#### **4.1. Introduction**

This chapter presented the data analysis, findings and discussion based on themes and sub-themes in line with the objectives. The objective of this study was to investigate the response strategies adopted by motor vehicle dealers in Kisumu City, Kenya, to changes in the external environment. The themes include: Questionnaires return rate, Participant's demographic information, external factors and organizational response strategies.

#### **4.2 Questionnaire Return Rate**

Primary data collection was through the use of structured questionnaires which were administered by dropping and picking method while face to face visits enhanced the data collection effort. Out of the 37 questionnaires administered to the respondents from the 33 automotive dealers, 33 were brought back dully filled which is 89% return rate. The high return rate ensured sufficient data collection for generalization.

#### **4.3 Demographic characteristics of Respondents**

The background information of participants in the study was necessary to understand their characteristics. The study sought information from the participants on distribution by; Business type, years of organization operation, number of years of experience at current position, current designation and types of motor vehicle traded.

##### **4.3.1 Organizational Structure (Business type)**

The study investigated on the nature of business the motor vehicle dealers in Kisumu are involved in. This was to establish whether they were sole proprietorship, partnership, private limited company or others. The results are presented in Table 4.1

**Table 4. 1 organization structure**

<b>Characteristics</b>	<b>n(f) frequency</b>	<b>(%) percent</b>
Business Type(Organization Structure)		
<b>Private Limited Company</b>	<b>25</b>	<b>75.0</b>
<b>Partnership</b>	<b>8</b>	<b>25.0</b>
<b>Total</b>	<b>33</b>	<b>100</b>

The results in Table 4.1 indicate that majority 25(75%) of the motor vehicle dealers in Kisumu are registered as private Limited Companies, while only 8(25%) are registered as partnership organizations.

#### **4.3.2 Number of years of operation in Kisumu**

The study also investigated on the years of operation that motor vehicle dealers in Kisumu had been in operation. This was mainly to establish the years of experience in the market and how this determines the kind of response strategies adopted by the motor vehicle dealers in Kisumu. The results are presented in Table 4.2

**Table 4. 2 Number of years in operation**

<b>Years of Organizations Operation</b>	<b>n(f) frequency</b>	<b>(%) percent</b>
<b>Below 5</b>	<b>2</b>	<b>6.0</b>
<b>6-10</b>	<b>8</b>	<b>22.6</b>
<b>11-15</b>	<b>12</b>	<b>36.9</b>
<b>16 and above</b>	<b>11</b>	<b>34.5</b>
<b>Total</b>	<b>33</b>	<b>100</b>

The result in Table 4.2 shows that the majority 23(71.4%) of the motor vehicle dealership in Kisumu have been operating in the market for a period of 11 years and above indicating a time period long enough to experience and adopt to major challenges and changes in the environment. With such long period of experience of operation, the companies are also assumed to have developed best response strategies with optimal results for every turbulent

environmental situation. The study also established that 8(22.6%) have been operating for between 6-10 years while only 2(6%) have been in operation for below 5 years. The study can therefore generalise that the response given in this study came from well experienced organisations or firms that have manoeuvred in a turbulent external environmental conditions using best and tested response strategies with optimal returns. This will help validate a similar study by Kamau, (2014) whose majority (61%) of the respondent SMEs had been operating for a period of 0 to 5 years.

#### 4.3.3. Types of motor vehicles traded

The study also investigated on the motor vehicle that each motor vehicle dealers in Kisumu traded on. This was mainly to establish the most common motor vehicles type in the market among motor vehicle dealers in Kisumu. The results are presented in Table 4.3

**Table 4. 3 Type of Motor vehicle traded**

<b>Motor Vehicle Traded</b>	<b>n(f) frequency</b>	<b>(%) percent</b>
<b>Saloon Vehicles</b>	33	28
<b>Passenger cars</b>	15	13
<b>Utility vehicles</b>	24	21
<b>SUVs</b>	25	21
<b>Trucks</b>	4	3
<b>Agricultural machinery</b>	5	4
<b>Motor cycles</b>	12	10
<b>Total</b>		<b>100</b>

The results in Table 4.3 indicate that the 33 dealers investigated deal or trade in saloon vehicles, 15 of the dealers trade on passenger vehicles, 24 of the dealers trade on the utility vehicles, 25 of the dealers trade on the SUVs, 12 of the dealers trade on motor cycles, while only 4 of the dealers trade on trucks and only 5 of the dealer companies trade on agricultural machineries.

#### **4.4 Response strategies adopted by motor vehicle dealership industry against External Environmental Changes in Kisumu**

This study sought to establish effective response strategies commonly applied by the motor vehicle dealership industry in Kisumu in combating the ever changing external environmental factors that affects their operations and performance in Kisumu. Response strategies investigated include; market development and penetration, product development, diversification, restructuring, differentiation/market segmentation, cost leadership, strategic alliance and embracing technology. The study investigated the extent to which each strategy have been applied by the firm, the level of effectiveness of each response strategy as applied by the motor vehicle dealership industry in Kisumu, and the level of influence applying each strategy has brought to the organization's performance in the last five years. Respondents were asked to rate to which extent each response strategy had been applied in their firms on a scale of 1 to 5, where: (1= Not at all, 2= little extent, 3= Moderate, 4=Great extent and 5= Very great extent). Descriptive analysis findings were then presented in form of percentages, means, and standard deviations in tables.

##### **4.4.1 The extent to which each response strategy have been applied by the motor vehicle dealership in Kisumu**

The study investigated the extent to which each response strategy have been applied against the changing environmental factors among motor vehicle dealers in Kisumu. The respondents were requested to rate to which extent they have applied each response strategy in their respective firms on a scale of 1 to 5, where: (1= Not at all, 2= little extent, 3= Moderate, 4=Great extent and 5= Very great extent). Descriptive analysis findings were then presented in form of percentages, standard deviations, and means in table 4.4

**Table 4. 4 Extent of application of each response strategy by motor vehicle dealership in Kisumu**

Statements	V.G. Ext	G. Ext	Mod.	L. Ext	Not at all	Mean	Std. dev
1. Market development	7(21.4%)	25(75%)	1(3.6%)	0(0.00%)	0(0.00%)	4.18	0.470
2. Diversification	3(9.6%)	28(83.3%)	2(7.1%)	0(0.00%)	0(0.00%)	4.02	0.410
3. Embracing technology	31(92.9%)	2(7.1%)	0(0.00%)	0(0.00%)	0(0.00%)	4.93	0.259
4. Product development	1(1.2%)	31(96.4%)	1(2.4%)	0(0.00%)	0(0.00%)	3.99	0.190
5. Cost leadership	16(47%)	16(49.4%)	1(3.6%)	0(0.00%)	0(0.00%)	4.43	0.567
6. Market segmentation	1(1.2%)	30(92.8%)	2(6.0%)	0(0.00%)	0(0.00%)	3.95	0.265
7. Restructuring	0(0.00%)	23(69%)	9(29.8%)	1(1.2%)	0(0.00%)	3.32	0.624
8. Strategic alliances	0(0.00%)	9(26.2%)	21(63.1%)	3(10.7%)	0(0.00%)	3.15	0.591
Composite mean and Composite standard deviation						3.92	0.223

NB. ARS-8 is the statements of Level of application of response strategy

The findings indicate embracing technology strategy (Mean= 4.93), cost leadership (Mean= 4.43), market development and penetration (Mean= 4.18), and diversification (Mean= 4.02) as the most frequently applied response strategies by the motor vehicle dealers in Kisumu against the external environmental changes. The findings of this study differs with the findings of Suh (2018) that established specifically increased marketing and customer care and revamped business knowledge strategies for performance during turbulent times. The differing findings could also be attributed to contextual gaps between the two studies as well as the conceptual gaps as noted in the studies

Thus motor vehicles dealers have majorly responded to changes in the external environment by adopting or embracing information technology as a response strategy which has enabled them to source for cheap and quality used automobile from different parts of the world, which agreed with findings by Wambua (2008) and Mwiti (2013) that technology adoption significantly increased the company's adaptation and survival in the dynamic external environment. The motor vehicle dealers have also embraced technology as a marketing tool. Based on its nature, it has enabled the dealers reach a wider market globally thus can better market their products in reaction to external environmental changes especially on the

government policy of importation of used motor vehicles. The findings agrees with the results of other similar studies by Tansey et al., (2013) and Mashigo et al., (2015) that adoption of technology development can significantly improve performance. Information technology have also been utilised by the industry in pursuit of cutting cost. The strategy have enabled the industry reduce significantly on the number of employees as some of the services can be done through technology (machines). Consequently, this have led to considerable savings by the industry.

Motor vehicle industry have also utilised information technology in enhancing research and information gathering especially on customer preferences and tastes. This has seen the industry develop relevant databases thus are able to model their services based on accurate customer needs and preferences. Through information technology, research activities has been made easier and affordable to most of the industries where they are able to conduct periodic studies using digital platforms without engaging physical human services like consulting firms which are considered expensive. These findings support and agree with a study by Fauzi et al., (2022) that found out that technology can be utilised for value creation and product development

Through technology, firms have equally been able to develop websites, create social media platforms like whatsapp and Facebook pages. Such platforms have enabled the industry provide sufficient information about the organization and their products to customers at any given time. Clients are thus able to access the required information, digest it for themselves, make queries and get responses online, and make informed decisions on products and services offered by the industry, thus the industry have kept a close touch with the clients through information technology enablement, findings that agrees with Suh (2018). Technology adoption strategy have also been utilised by the motor vehicle industry to venture into car tracking and recovery services thus enhancing security

Cost leadership with a mean of 4.43 is next most applied response strategy among the motor vehicle dealers in Kisumu City agreeing with findings by Muchiri (2014) that among competitive strategies applied by motor vehicle parts manufacturing organizations in Kenya included adopting cost leadership as survival techniques. Cost leadership is a term used to refer to the mechanisms that enable a company projects itself as the cheapest service or product provider. The strategy has enabled dealers play with prices in order to present themselves as being the most affordable thus winning customers' attention in a competitive market environment. For instance Toyota's competitive advantage stems from cost leadership where

they apply standardized methods and processes that save costs and increase productivity. Their cost leadership strategy involves reducing selling prices and managing costs, for example, cutting operations costs (Thompson, 2016). Motor vehicle industry have utilised cost leadership strategy to enable them minimize costs by reducing on advertising, cutting on physical market research, and development and turning to digital research platforms which are cheaper considering costs incurred.

Motor vehicle industry have also utilised cost leadership strategy through setting up of flexible prices to their products that allows their clients to bargain. Setting bargaining prices strategy is a tool that has enabled the industry present themselves as cheap and affordable thus appealing to more customers. The strategy has also utilised price skimming methods, where the industry sets very high prices for new product and subsequently reduce them when competition emerges thus presenting themselves as being cheap and affordable with the aim of attracting more customers. The strategy has equally enabled the industry cut costs or expenses and align the available resources to sales and profit making. In attempts to cut cost, the industry have welcome technology adoption to replace or reduce human resource (employments), improve efficiency and accuracy, turned to more online marketing rather than physical marketing which are more expensive, turned to more of digital distribution channels to reduce on physical distribution channels that are deemed expensive, and thus cutting on cost.

The third most applied response strategy among the motor vehicle dealers in Kisumu City is market development and penetration (Mean= 4.18) agreeing with Aketch, (2014) findings that the firm among other strategies adopted market development strategy against environmental challenges. This strategy have seen most of the motor vehicle dealers in Kisumu City cut deals with key organizations like NGOs, private sectors, county governments, schools and SACCOs with binding contract deals. Dealers have been able to go further to establish automotive needs of different organizations and companies, for instance most NGOs prefer double cabin vehicles, schools use buses, county governments use a mix of high end vehicles and double cabin vehicles. Such databases and knowledge has enabled dealers make specific imports according to the needs of the clients.

In pursuit of expanded market share, motor vehicle dealers have also innovatively crafted flexible payment systems that is more appealing to clients, for example paying in instalments for the products purchased. The system has attracted more customers awing to its pocket

friendly nature to clients. It has enabled dealers secure significant market shares. This finding was also supported by Aketch, (2014).

On the other hand dealers have also employed market penetration strategies to be able to expand their market share and thus survival as alluded to by Wambua (2008) and Mwiti (2013) that market penetration significantly increased the company's adaptation and survival in the dynamic external environment. Market penetration strategy is the means and methods by which a firm improves or increases consumption of their products and services. Industries have achieved market penetration in four major ways, which includes growing the market share of current products; dominating existing markets; monopolization and kicking out competition; or increasing consumptions by existing customers. On growing market share, dealers have maximized sales aimed at attaining widespread market share within the market. Dealers have applied penetration pricing techniques enabling them capture a bigger market share faster by setting low prices for their products. Penetration pricing strategy works best when clients are known to be sensitive to product prices.

The fourth mostly applied response strategy is diversification (Mean= 4.02) which also agrees with findings by Wambua (2008) and Mwiti (2013) that product diversification significantly increased the company's adaptation and survival in the dynamic external environment. In the automotive industry, diversification concept has been used primarily to imply product mix, over-dependence on profit-leading models, supplying single markets, and disproportionate using localized labour forces. The motor vehicle dealers have adopted both related and unrelated diversification for future survival of their organisations. Using related diversification, they have opened up garages, spares (battery & tyre) dealership and transportation. This strategy have enabled dealers retain customers as they seek to expand their customer base. This is owed to the ability of most of the dealers to venture into other forms of related services and products needed by their clients, thus customers are able to do a one stop shopping without necessarily moving to other shops for those services. Many clients consider this as being cheap and time saving.

Diversification strategy have also been utilised by majority of the dealers in a move to spread and or reduce possible risk factors emanating from the harsh external environmental factors. For instance, in the case of dealers that in addition to trading on motor vehicles, have also put up garages for service and also deals on spare parts, are capable of spreading risk factors across the three divisions of the organization. When sales of vehicles goes down, garage services as



well as spare parts business can still sustain the organization's operations. No risk is expected to adversely affect all the subdivisions equally and at the same time. On the other hand the strategy has also been used by the dealers to help minimise the effects of risks thus ensuring survival even during dare seasons.

Similarly diversification strategy have also been used by the motor vehicle dealers in a bid to maximize profit making. For instance, in the case of dealers that in addition to trading on motor vehicles, have also put up garages for service and also deals on spare parts, are capable of maximising profit making from all the three divisions of the organization. Each division is expected to contribute considerably to the profit mix of the organization. This in the long run makes the organization more profitable and thus can survive the turbulent environmental changes.

Others dealers have adopted unrelated diversification by focusing on investing in real estate and motor financing, and insurance policy services, finding that also agrees with Aketch, (2014). Some of the motor vehicle dealers have cut deals with specific financial institutions like banks, and SACCOs with formal agreements to provide affordable financing facilities to their clients (motor vehicle buyers) under much negotiated terms. Consequently, majority of the clients with financial constraints tend to prefer such dealers that will enable them acquire vehicles and pay in instalments (loaning facilities).

Some of the dealers have also ventured into insurance policy services where they too provide policies for their clients at better rates. By such moves, such dealers have been able to retain quite a considerable number of their clients as well as attract more clients to their customer base. Others also have ventured into property and real estate business which has seen them secure strong financial base in the field of motor vehicle dealership.

#### **4.4.2 The extent to which each response strategy have been effective as applied by the motor vehicle dealership in Kisumu**

The study investigated the extent of effectiveness of each response strategy as have been applied by the motor vehicle dealership in Kisumu against external environmental changes. The respondents were asked to rate to which extent they have observed effectiveness of each response strategy in their respective firms on a scale of 1 to 5, where: (1= Not at all, 2= little extent, 3= Moderate, 4=Great extent and 5= Very great extent). Descriptive analysis findings were then presented in form of percentages, means, and standard deviations in table 4.5

**Table 4. 5 Effectiveness of response strategies**

Statements	V.G. Ext	G. Ext	Mod.	L. Ext	Not at all	Mean	Std. dev
1. Market development	2(4.8%)	20(61.9%)	9(27.3%)	2(6.0%)	0(0.0%)	3.65	0.668
2. Restructuring	6(16.7%)	19(59.5%)	7(22.6%)	1(1.2%)	0(0.0%)	3.92	0.662
3. Diversification	25(76.2%)	7(22.6%)	1(1.2%)	0(0.0%)	0(0.0%)	4.75	0.462
4. Cost leadership	10(31%)	23(69%)	0(0.0%)	0(0.0%)	0(0.0%)	4.31	0.465
5. Market segmentation	17(50%)	15(46.4%)	1(3.6%)	0(0.0%)	0(0.0%)	4.46	0.569
6. Product development	2(6%)	12(36.9%)	19(57.1%)	0(0.0%)	0(0.0%)	3.49	0.611
7. Embracing technology	30(91.7%)	3(8.3%)	0(0.0%)	0(0.0%)	0(0.0%)	4.92	0.278
8. Strategic alliances	3(9.5%)	16(47.6%)	13(41.7%)	1(1.2%)	0(0.0%)	3.65	0.668
Composite mean and Composite standard deviation						4.23	0.281

NB. ERS-8 is the statements of Effectiveness of response strategies

The findings on Table 4.5 indicate that among the applied response strategies, embracing technology (Mean= 4.92), followed by diversification (Mean= 4.75), then market segmentation (Mean= 4.46) and lastly cost leadership (Mean= 4.31) were found to be the most effective response strategies adopted by motor vehicle dealers in Kisumu City.

The motor vehicles dealers have majorly responded to changes in the external environment by adopting or embracing information technology as a response strategy which has enabled them to source for cheap and quality used automobile from different parts of the world. Therefore, the motor vehicle dealers have embraced technology to better market their products in reaction to external environmental changes especially on the government policy of importation of used motor vehicles.

Diversification with a mean of 4.75 is next considered an effective response strategy by motor vehicle dealers in Kisumu city. Thus, motor vehicle dealers have adopted both related and unrelated diversification for future survival of their organisations. Using related diversification, they have opened up garages, spares (battery & tyre) dealership and transportation. Others have adopted unrelated diversification by focusing on investing in real estate and motor financing.

The third most effective response strategy is market segmentation (Mean= 4.46). The strategy has enabled motor vehicle dealers in Kisumu City create subsets of markets based on demographics, priorities, needs, behavioural, and common interests' criteria to better

understand the target clientele. Basing on such database, the dealers have gained better understanding of the market and thus been able to innovate most appropriate response strategies.

The fourth most effective response strategy is cost leadership with a mean of 4.43 among the motor vehicle dealers in Kisumu City. The strategy has enabled dealers play with prices in order to present themselves as being the most affordable thus winning customers' attention in a competitive market environment.

#### **4.5 External Environmental Changes affecting the motor vehicle dealership industry**

The study sought to find out changes in the external environment that affects the operations of the motor vehicle dealership industry in Kisumu. External Environmental factors investigated included; economic factors, political factors, legal and regulatory factors, industry financing factors, competition, ICT development factors and socio-cultural factors. The study investigated the extent to which each factor affected the organization's survival, favourability of each factor to the organization's survival, predictability of each factor, and extent of change in each factor observed over the past five years. The respondents were asked to rate to which extent changes in each environmental factors affected their operations on a scale of 1 to 5, where: (1= Not at all, 2= little extent, 3= Moderate, 4=Great extent and 5= Very great extent). Descriptive analysis findings were then presented in form of percentages, means, and standard deviations in tables.

##### **4.5.1 External environmental changes affecting survival of motor vehicle dealership in Kisumu**

The study investigated the extent to which changes in the external environment affected the survival of motor vehicle dealership survival in Kisumu. The respondents were asked to rate to which extent changes in each environmental factors affected their survival in the market on a scale of 1 to 5, where: (1= Not at all, 2= little extent, 3= Moderate, 4=Great extent and 5= Very great extent). Descriptive analysis findings were then presented in form of percentages, means, and standard deviations in table 4.6.

**Table 4. 6 External Environmental Changes affecting the motor vehicle dealership industry survival in Kisumu.**

Statements	V.G. Ext	G. Ext	Mod.	L. Ext	Not at all	Mean	Std. dev
1. Economic factors	13(40.5%)	19(58.3%)	1(1.2%)	0(0.0%)	0(0.0%)	4.39	0.515
2. Political factors	6(19.0%)	10(31.0%)	14(42.9%)	3(7.1%)	0(0.0%)	3.62	0.877
3. Legal and regulatory factors	6(17.9%)	19(58.3%)	7(21.4%)	1(2.4%)	0(0.0%)	3.92	0.698
4. Industry financing factors	4(11.9%)	15(47.6%)	13(39.3%)	1(1.2%)	0(0.0%)	3.70	0.690
5. Competition	9(27.4%)	19(57.1%)	5(15.5%)	0(0.0%)	0(0.0%)	4.12	0.648
6. ICT Development	8(25.0%)	20(59.5%)	5(15.5%)	0(0.0%)	0(0.0%)	4.10	0.633
7. Socio-Cultural factors	5(10.7%)	9(27.4%)	15(46.4%)	5(15.5%)	0(0.0%)	3.33	0.869
Composite mean and Composite standard deviation						3.96	0.445

NB. FAOS-7 (Factors Affecting Organization's Survival)

The findings on Table 4.6 indicate that economic factors (Mean= 4.39) as being the one with the greatest effects on the survival of motor vehicle industry operations in Kisumu, it is closely followed by Competition factors (Mean= 4.12), ICT development factors (Mean= 4.10), legal and regulatory factors (Mean= 3.92), Industry financing factors (Mean= 3.7), political factors (Mean= 3.62) and the least being socio-economic factors (Mean= 3.33). Basing the analysis on the ranges 1 – 1.5: Not at all, 1.6 – 2.5: To a little extent, 2.6 – 3.5: To a moderate extent, 3.6 – 4.5: To a great extent and 4.6 – 5: To a very great extent, the study established that all other external environmental factors affected survival of motor vehicle dealers in Kisumu to a greater extent except socio economic factors whose effect was moderate

**Table 4. 7** Correlation Statistics of the impacts of external environmental changes and response strategies

<i>External environmental changes</i>		<i>Response strategies</i>
<i>Economic factors</i>	<i>Pearson Correlation</i>	-.209.
	<i>Sig. (2-tailed)</i>	.242.
	<i>N</i>	33
<i>Competition factors</i>	<i>Pearson Correlation</i>	.408
	<i>Sig. (2-tailed)</i>	.018.
	<i>N</i>	33
<i>ICT Development factors</i>	<i>Pearson Correlation</i>	-.001**
	<i>Sig. (2-tailed)</i>	.994
	<i>N</i>	33
<i>Legal and Regulatory factors</i>	<i>Pearson Correlation</i>	-.164*
	<i>Sig. (2-tailed)</i>	.360
	<i>N</i>	33
<i>Credit financing factors</i>	<i>Pearson Correlation</i>	-.079
	<i>Sig. (2-tailed)</i>	.664
	<i>N</i>	33
**. <i>Correlation is significant at the 0.01 level (2-tailed).</i>		
*. <i>Correlation is significant at the 0.05 level (2-tailed).</i>		

The correlation output table 4.7 indicate that all the external environmental factors had p-values greater than 0.05 ( $P > 0.05$ ) implying that there was no statistically significant relationship between impacts of external environmental factors and response strategies, except for competition factors that is statistically significantly related to response strategies ( $0.018 < 0.05$ ). This means that impacts due to changes in the external environment were not in any way related to response strategies motor vehicle industry applied.

#### **4.5.2 Extent of change observed in each external environmental factors in the past 5 years in Kisumu**

The study investigated the extent of change observed in each external environmental factor in the in the past five years of their operation in Kisumu. The respondents were requested to rate to which extent they have observed changes in each environmental factors on a scale of 1 to 5, where: (1= Not at all, 2= little extent, 3= Moderate, 4=Great extent and 5= Very great extent). Descriptive analysis findings were then presented in form of standard deviations, percentages, and means, in table 4.8

**Table 4. 8 Extent of change observed in external environmental factors in the past 5 years in Kisumu.**

Statements	V.G. Ext	G. Ext	Mod.	L. Ext	Not at all	Mean	Std. dev
1. Political factors	5(15.5%)	28(84.5%)	0(0.00%)	0(0.00%)	0(0.00%)	4.15	0.364
2. Economic factors	30(92.9%)	3(7.1%)	0(0.00%)	0(0.00%)	0(0.00%)	4.93	0.259
3. Competition	30(92.9%)	3(7.1%)	0(0.00%)	0(0.00%)	0(0.00%)	4.93	0.259
4. Socio-cultural factors	0(0.00%)	2(6.0%)	18(54.7%)	13(39.3%)	0(0.00%)	2.67	0.588
5. Industry financing factors	1(1.2%)	29(89.3%)	3(9.5%)	0(0.00%)	0(0.00%)	3.92	0.318
6. Legal and regulatory factors	0(0.00%)	6(16.7%)	24(73.8%)	3(9.5%)	0(0.00%)	3.07	0.510
7. ICT developments	18(56%)	14(41.6%)	1(1.2%)	1(1.2%)	0(0.00%)	4.52	0.591
Composite mean and Composite standard deviation						4.12	0.197

NB. CO-7 is the statements of Changes observed in the last 5 years due to external factors

The findings on Table 4.8 indicate that economic factors (Mean= 4.93) and competition factors (Mean = 4.93) are the most changing external environment factors, followed by ICT development factors (Mean= 4.52), political factors (Mean= 4.15), industry financing factors (Mean= 3.92), legal and regulatory factors (Mean= 3.07), and the least being socio-cultural factors (Mean= 2.67). Basing the analysis on the ranges 1 – 1.5: Not at all, 1.6 – 2.5: To a little extent, 2.6 – 3.5: To a moderate extent, 3.6 – 4.5: To a great extent and 4.6 – 5: To a very great extent, the study established that economic factors and competition factors had undergone changes to a very great extent in the past five years, while ICT development, political factors, and industry financing to a great extent and legal and regulatory factors to a moderate extent and socio cultural factors to least extent.

**Table 4. 9** Correlation Statistics of Observed changes in the external environment and response strategies

<i>External environmental changes</i>		<i>Response strategies</i>
<i>Economic Factors</i>	<i>Pearson Correlation</i>	<i>.083.</i>
	<i>Sig. (2-tailed)</i>	<i>.014.</i>
	<i>N</i>	<i>33</i>
<i>Competition factors</i>	<i>Pearson Correlation</i>	<i>.112</i>
	<i>Sig. (2-tailed)</i>	<i>.012.</i>
	<i>N</i>	<i>33</i>
<i>ICT Development factors</i>	<i>Pearson Correlation</i>	<i>.117**</i>
	<i>Sig. (2-tailed)</i>	<i>.003</i>
	<i>N</i>	<i>33</i>
<i>Political factors</i>	<i>Pearson Correlation</i>	<i>.309*</i>
	<i>Sig. (2-tailed)</i>	<i>.014</i>
	<i>N</i>	<i>33</i>
<i>Credit financing factors</i>	<i>Pearson Correlation</i>	<i>.101</i>
	<i>Sig. (2-tailed)</i>	<i>.003</i>
	<i>N</i>	<i>33</i>
<i>**.</i> Correlation is significant at the 0.01 level (2-tailed).		
<i>*.</i> Correlation is significant at the 0.05 level (2-tailed).		

The correlation output table 4.9 indicate that all the external environmental factors favourable to the operations of motor vehicle industry in Kisumu had p-values less than 0.05 ( $P < 0.05$ ) implying that external environmental factors affecting the operations of motor vehicle industry in Kisumu had a statistically positive significant relationship with response strategies applied by the motor vehicle dealers. This means that as the changes in the external environmental factors increased response strategies applied by motor vehicle industry also produced better results.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

This chapter entails the summary of findings based on research questions, thematic conclusions and recommendations from the study and suggest areas for further research.

#### 5.2 Summary of the findings

In this study questionnaires were administered to 37 respondents. The study achieved a questionnaire return rate of 33(89%). Majority of the organizations investigated were registered as private limited companies 25(75%) while the remaining 8(25%) were registered under partnership companies. The study findings revealed majority of the firms investigated had been in operation in Kisumu for over 11 years, a period considered long enough to experience the turbulent business environment hence custodian of the needed information for the study. Majority of the respondents 20(59.5) examined were at sales management levels in the organizations at the time of the study thus considered to hold both experience and understanding required to provide credible responses. Most of the respondents 31(94%) had serve their organizations for over 6 years, a period long enough to experience and understand the operations in the business environment.

On the subject of extent to which response strategies had been applied against the changing external environment by individual organizations, the study findings revealed that embracing technology strategy (Mean= 4.93) as being the most applied strategy against the changing external environment among the motor vehicle industry operating in Kisumu, this is followed by cost leadership (Mean= 4.43), market development and penetration (Mean= 4.18), diversification (Mean= 4.02), product development (Mean= 3.99), market segmentation (Mean= 3.95), restructuring (Mean = 3.32) and the least being strategic alliance (Mean= 3.15).

On the question of extent to which response strategies had been effective to manoeuvring through the turbulent business environment, the study findings indicate that embracing technology strategy (Mean= 4.92) as being the most effective strategy against the changing external environment among the motor vehicle industry operating in Kisumu, this is followed by diversification (Mean= 4.75), market segmentation (Mean= 4.46), cost leadership (Mean= 4.31), restructuring (Mean= 3.92), market development and penetration (Mean= 3.65), strategic alliance (Mean = 3.65) and the least being product development (Mean= 3.49).



On the subject of external environmental factors affecting the motor vehicle industry, the findings established that economic factors (Mean= 4.39) as being the one with the greatest effects on the survival of motor vehicle industry operations in Kisumu, it is closely followed by Competition factors (Mean= 4.12), ICT development factors (Mean= 4.10), legal and regulatory factors (Mean= 3.92), Industry financing factors (Mean= 3.7), political factors (Mean= 3.62) and the least being socio-economic factors (Mean= 3.33). Basing the analysis on the ranges 1 – 1.5: Not at all, 1.6 – 2.5: To a little extent, 2.6 – 3.5: To a moderate extent, 3.6 – 4.5: To a great extent and 4.6 – 5: To a very great extent, the study established that all other external environmental factors affected survival of motor vehicle dealers in Kisumu to a greater extent except socio economic factors whose effect was moderate. Correlation statistics indicated lack of statistically significant relationship between the external environmental factors and the response strategies applied by the industry ( $p>0.05$ )

On the subject of extent of change observed on the external environmental changes in the past 5 years, the study results show that economic factors (Mean= 4.93) and competition factors (Mean = 4.93) as being the most changes external environment factors, followed by ICT development factors (Mean= 4.52), political factors (Mean= 4.15), industry financing factors (Mean= 3.92), legal and regulatory factors (Mean= 3.07), and the least being socio-cultural factors (Mean= 2.67). Basing the analysis on the ranges 1 – 1.5: Not at all, 1.6 – 2.5: To a little extent, 2.6 – 3.5: To a moderate extent, 3.6 – 4.5: To a great extent and 4.6 – 5: To a very great extent, the study established that economic factors and competition factors had undergone changes to a very great extent in the past five years, while ICT development, political factors, and industry financing to a great extent and legal and regulatory factors to a moderate extent and socio cultural factors to least extent. Correlation statistics indicated existence of statistically significant relationship between the external environmental factors and the response strategies applied by the industry ( $p<0.05$ )

### **5.3 Conclusions**

The study sought to investigate the response strategies adopted by motor vehicle dealers in Kisumu City, to changes in the external environment. Based on the findings of the study, the study concludes that motor vehicle industry in Kisumu City consider embracing technology strategy, cost leadership, market development and penetration, diversification, strategies as the most effective strategies for responding to the changing external environment. Thus they are

the mostly applied response strategies among the motor vehicle dealers industry in Kisumu City. The study further makes the following conclusions;

That mostly applied response strategy among the motor vehicle industry in Kisumu City is embracing technology strategy, followed by cost leadership, market development and penetration, and diversification strategy to dealing with the changing external environmental conditions and that said response strategies are attached to higher levels of effectiveness whenever applied.

That the most effective response strategies in responding to the changing external environment were embracing technology strategy, diversification, market segmentation and cost leadership strategies in that order. The said response strategies to a great extent very effective in dealing with the changing external environment. That the performance of motor vehicle industry in Kisumu is mostly influenced by cost leadership strategy, diversification, embracing technology and market segmentation strategies in that order.

That the motor vehicle industry operating in Kisumu are largely affected by economic factors, Competition factors, ICT development factors and, legal and regulatory factors. However, the study established lack of any statistically significant relationship between the external environmental factors and the response strategies applied by the industry ( $p > 0.05$ ). Among the environmental factors affecting motor vehicle industry in Kisumu City, the most predictable was legal and regulatory factors, ICT development factors, competition factors and economic factors. The study also concludes that there is statistically positive significant relationship between the external environmental factors and the response strategies applied by the industry ( $p < 0.05$ ).

That in the past five years, external environmental factors that changed greatly include economic factors, competition factors, ICT development factors and political factors. That external environmental factors had undergone great changes in the past five years (composite mean = 4.12). The study also concludes that there is statistically positive significant relationship between the external environmental factors and the response strategies applied by the industry ( $p < 0.05$ ).

## **5.4 Recommendations**

Based on the findings of the study, this study recommends that policy makers should do more on research and environment scanning. Policy makers should also come up with flexible policies considering the ever changing environment and offer training to motor vehicle dealers on the importance of strategic thinking in given environment they operate with focus on the opportunities and threats presented and how to respond to them. Policy makers should keep abreast with the changes in the environment because success or failure of the industry mainly depend upon how they relate with their environment. Response strategies to environmental changes should be well aligned in order to have positive output.

To the management practitioners and owners of motor vehicle dealership businesses in Kisumu City and generally in Kenya, it is recommended that management embrace strategic management, strategic thinking and regular environmental scanning for opportunities and threats. In responding to the opportunities and threats posed by the environment the motor vehicle industry should adopt strategies that are flexible and aligned with their environment.

Motor vehicle industry should also embrace technology development, invest in diversification opportunities, adopt differentiation strategies and be innovative in order to stand out and on top of these adopt marketing mix strategies in order to remain competitive and successful in the volatile market.

## **5.5 Limitations of the study**

The study faced a number of limitation that may have impacted on the overall results of the study. First, as this study is based on cross-sectional research design where data was collected within a shorter period or at one point in time, the results of this study are therefore limited to cross-sectional data. Since environment is ever changing and challenges and response strategies that motor vehicle industry adopts changes with time, the findings of the study are therefore limited at that point in time when data was collected.

Third, there was difficulty in translating the questionnaire to a language more understandable by the respondents as well as cultural differences which may have affected the quality of the data collected. Lastly the sampling frame was limited to motor vehicle industry in Kisumu City which may be facing different environmental changes and challenges from other motor vehicle industries in other parts of the country and therefore generalization of the findings across all motor vehicle industry in Kenya was not practical. The findings and conclusions based on this

study might not be applicable all motor vehicle industry in the Country and also to other organizations.

### **5.6 Suggestions for further Research**

The study was based on cross sectional data and since environment is ever changing and the response strategies adopted by motor vehicle industry keep on changing with time this provides an opportunity for replicative studies to be done to allow validation and comparison.

Since the study only concentrated on motor vehicle industry in Kisumu City the findings and conclusions drawn in the study may not be generalize to other motor vehicle industry organizations. Consequently, a similar study is necessary for other motor vehicle dealers across Kenya in order to validate or enhance this study's findings.

The findings of this study and the conclusions made might not apply to all motor vehicle industry in Kenya as well as in other organizations. Environment is dynamic and consistently changing and with these changes, response strategies would be expected to change with time. Therefore this being the first study on motor vehicle industry in Kisumu, similar studies could be conducted to identify how motor vehicle industry would alter their strategies to other changes in the environment in future and also comparison made with results for the current study.

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## Appendix I: Research Questionnaire

**Dear Respondent,**

This questionnaire seeks to collect data on various dimensions of the study and the data will be collected specifically for academic purposes and as such strict confidentiality will be regarded. Your participation in this study will be highly appreciated. This questionnaire is divided into three sections and each section covers various objectives of the study. Kindly answer the questions with preciseness, accuracy and into details where necessary. Respondents are urged to seek clarification in areas they may not understand and to return questionnaires upon completion.

### SECTION A: BACKGROUND INFORMATION

1. How long has your organization been in operation in Kisumu?

Bellow 5 years [ ] 6-10 years [ ] 11-15 years [ ] 16-20 years [ ] over 20years [ ]

2. What is the ownership structure of your organization? (Kindly tick one below)

Sole Proprietorship [ ] Partnership [ ] Public Limited Company [ ] Others [ ]

3. What is your current designation in the organization?

Director [ ] Manager [ ] C.E.O. [ ] Head of Department [ ] Others [ ]

4. How long have you been serving at your current position in this organization?

Bellow 5 years [ ] 6-10 years [ ] 11-15 years [ ] 16-20 years [ ] over 20years [ ]

5. How many employees do you have working under you in the organisation?

Less than 10 [ ] 11-50 [ ] 51-100 [ ] Over 100 [ ]

6. Which types of motor trade does your organization deal in? **TICK (√)** all applicable

Saloon vehicles [ ] Passenger Cars [ ] Utility Vehicles [ ] SUVs [ ] Motor cycles [ ]

Trucks [ ] Buses [ ] Trailers [ ] Agricultural Machinery [ ]

Others; .....

**SECTION B: EXTERNAL ENVIRONMENT**

Another aspect of this study is the external environment which consists of all external forces that directly play a vital role in constraining strategic leadership practices. Given its importance in explaining an organization’s decision making behavior, kindly provide answers to the questions in this section

7. Kindly indicate the extent to which each of the following factors in the external environment will have an impact on the response strategies your firm adopts? **TICK** (✓) as appropriate.

**Key: 1 - Not at all; 2-Less extent; 3- Moderate extent; 4 -Large extent; 5- Very large extent**

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Political factors					
2	Economic factors					
3	Socio-Cultural factors					
4	Information Communication Technological developments					
5	Competition within the industry					
6	Legal and Regulatory factors					
7	Availability of credit by your financial institutions					

8. To what extent have developments in each of these factors been favourable to your firm during the last five years? Tick

**Key: 1-Not at all; 2-Less extent; 3-Moderate extent; 4-Large extent; 5-Very large extent**

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Political factors					
2	Economic factors					
3	Socio-Cultural factors					
4	Information Communication Technological developments					
5	Competition within the industry					
6	Legal and Regulatory factors					
7	Availability of credit by your financial institutions					

9. To what extent have the developments in each of these factors become more predictable?

**Key: 1** - Not at all; **2**-Less extent; **3**- Moderate extent; **4** -Large extent; **5**- Very large extent

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Political factors					
2	Economic factors					
3	Socio-Cultural factors					
4	Information Communication Technological developments					
5	Competition within the industry					
6	Legal and Regulatory factors					
7	Availability of credit by your financial institutions					

10. In each of the factors, how much changes have you observed in the last five years?

**Key: 1**-No Change; **2**-Little change; **3**-Moderate change; **4**-Great change; **5**- Dramatic Change

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Political factors					
2	Economic factors					
3	Socio-Cultural factors					
4	Information Communication Technological developments					
5	Competition within the industry					
6	Legal and Regulatory factors					
7	Availability of credit by your financial institutions					

11. To what extent have each of the factors in the external environment been similar in your firm in the last five years?

**Key: 1**-Similar; **2**-Somewhat similar; **3**-Neither similar nor different; **4**-Somewhat different; **5**- Different

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Political factors					
2	Economic factors					
3	Socio-Cultural factors					
4	Information Communication Technological developments					
5	Competition within the industry					
6	Legal and Regulatory factors					
7	Availability of credit by your financial institutions					

**SECTION THREE: RESPONSE STRATEGIES.**

The following are some of the response strategies that your organization can use to deal with external environmental changes. Given their importance in explaining an organization’s survival in a never predictable and turbulent environment, kindly provide answers to the questions in this section

12. Kindly indicate the extent to which each of the following response strategies have been applied by your firm against the changing external environmental factors? **TICK (√)** as appropriate.

**Key:** 1 - Not at all; 2-Less frequent; 3- neutral; 4 -frequently; 5- most frequently

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Product development					
2	Diversification					
3	Market penetration					
4	Restructuring					
5	Differentiation/market segmentation					
6	Cost leadership					
7	Strategic alliances					
8	Embracing Technology					

13. Please help rate the level of effectiveness of each of the response strategies as have been applied by your organization. Tick appropriately.

**Key:** 1-Not at all; 2-Less effective; 3-neutral; 4-effective; 5-Very effective

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Product development					
2	Diversification					
3	Market penetration					
4	Restructuring					
5	Differentiation/market segmentation					
6	Cost leadership					
7	Strategic alliances					
8	Embracing Technology					

14. To what extent have each of these response strategies influenced your organization’s performance in the past five years?

**Key: 1 - Not at all; 2-Less extent; 3- neutral; 4 -moderate; 5- Large extent**

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Product development					
2	Diversification					
3	Market penetration					
4	Restructuring					
5	Differentiation/market segmentation					
6	Cost leadership					
7	Strategic alliances					
8	Embracing Technology					

15. To what extent does your organization invest in each of the following response strategies to changes in the external environment?

**Key: 1-No Change; 2-Little investment; 3-neutral; 4-moderate; 5- much investment**

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Product development					
2	Diversification					
3	Market penetration					
4	Restructuring					
5	Differentiation/market segmentation					
6	Cost leadership					
7	Strategic alliances					
8	Embracing Technology					

## **Appendix II: List of Motor Vehicle Dealers in Kisumu.**

1. Corporation for Africa and Overseas (CFAO Motor Kenya)
2. D.T.Dobie & Co. (K) Ltd.
3. C.M.C Motors Group Ltd.
4. Trans Africa Motors Ltd.
5. Abson Motors Ltd.
6. Africa Commercial Motor Group Ltd.
7. Associated Motors Ltd.
8. Cooper Motors Corporation.
9. Simba Colt Motors Ltd.
10. Crater Automobiles (NBI) Ltd.
11. Rana Auto Selection Ltd.
12. Al-Husnain Motors Ltd
13. Al-Malik Brothers Motors Ltd.
14. Auto Selection (K) Ltd.
15. Lion Heart Motors Ltd.
16. Sinani Motors Ltd.
17. Yasmin Motors Ltd.
18. Country Motors Ltd.
19. Lakeland Motors Ltd.
20. Sammy Motors Ltd.
21. Caneland Limited.
22. Foton East Africa.
23. Car and General Kisumu
24. MotorCity.
25. Joro Auto dealers
26. Kemofim Kenya Limited Kisumu
27. Nissan Kisumu
28. Kylin Motors Ltd
29. Autor Extreme
30. Ali Cars Ltd
31. Yaseen Motors
32. Senke Motors
33. Check in Motors

34. Khalsa Motors

35. Ajwa Madina Ltd.

36. Double C Cars Sales

37. Al-HYDER Trading Company Ltd

Source: County Government of Kisumu (2022)