RESPONSE OF THE KENYA POWER AND LIGHTING COMPANY LIMITED TO CHANGES IN THE ENVIRONMENT

By

IRENE WAHOGO - MAINA

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF REQUIREMENTS FOR THE DEGREE IN MASTER OF BUSINESS ADMINISTRATION (MBA),

SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

June 2006

DECLARATION

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

Signed…………………………………………

Date……16/11/2006……………………

Irene Wahogo- Maina

This Management Research Project has been submitted for examination with my approval as the University Supervisor.

Signed…………………………………………

Date…17/11/2006………………

Professor Aosa

Lecturer

School of Business Administration

University of Nairobi

DEDICATION

To my beloved sons Jeff and Lemieson,
to you I bestow the forte of boundless scholarship

and

to God,
Thank you

to Maina and the rest of my Family,
your inspiration was not in vain.

ACKNOWLEDGMENT

First, I wish to ardently thank my supervisor, Professor Aosa, for his adept tutelage throughout this study.

I am grateful to all the respondents who participated in this research, whose cooperation, understanding and patience eased the exercise.

I am honor-bound to all my lecturers and fellow students in the MBA program, for rendering an enriching experience to share and procure knowledge.

Last but not least, I wish to express my profound gratitude to my employer, the Kenya Power & Lighting Company Limited, for facilitating the MBA program.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The objective of the study is to examine the response of the Kenya Power and Lighting Company to changes in the external environment. The study was conducted by carrying out in depths interviews with members of top management. The findings confirmed that the company operates in a rapidly changing environment characterized by many challenges. These challenges were brought about by separation of a vertically integrated operation to a horizontal integrated operation, severe drought affecting supply of power, technological change, bureaucratic processes and poor economic performance.

The study established several responses by the company to changes in external environment it operates in. There have been a deliberate and focused customer creation and systems upgrade, restructuring of business processes, staff rationalization and new technology has been embraced including computerization of processes such as e-billing, Intranet and Internet.

The study recognizes that the Government by virtue of holding majority shareholding manages the company under the States Corporation Act. At the time of study, KPLC was in a monopolistic position in transmission, distribution and supply of electrical energy. There were indications that this position is being challenged and it is recommended that a further study could be done after separation of transmissions and distribution business units.

CHAPTER 1: INTRODUCTION

1.1 Background

1.1.1 Environmental Dependence

Organizations are created to serve various needs of the society in which they exist. However, their existence is not guaranteed as they operate in an environment that is very dynamic which demand that these organizations have to change accordingly. According to Ansoff and McDonnell (1990) environment serving organizations are in constant two-way interaction with the environment. They receive inputs from the environment, transform or add value to them, and return the outputs in form of services and goods back to the environment. They therefore affect and are affected by what happens in the external environment, which is beyond the organization's control. Modern executives must therefore respond to the challenges posed by the firm's immediate and remote external environment (Pearce and Robinson. 2003). These challenges may be in form of economic, social, political and technological advancement. They must be anticipated, monitored, assessed and incorporated into the executives' decision making (Wairegi 2004).

Pearce and Robinson (2003) assert that strategic response is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. They further state that in order for organization to achieve their goals and objectives, it is necessary for them to adjust to their environment.

Senge (2003) argues that organizations have different goals, some seek visionary or intelligent organization, others the innovative living adaptive, or transformational company. They try total quality, re-engineering businesses processes, boundarylessness, strategic alliances or scenario planning. All these are in attempt to respond quickly to fast changing external environment. In Kenya, a number of studies have been carried out to document responses by various organizations to changing environment, Cooperative Bank (Kathuku, 2004), Kenya Reinsurance Corporation (Mwarania 2002), Kenya Broadcasting Corporation (Migunde, 2003), British American Tobacco (K) (Mwanthi, 2003), Commercial Banks (Ohaga, 2004). These studies have revealed that different organizations respond to changes in environment in various ways.

1.1.2 The Public Sector in Kenya

The business environment in Kenya is rapidly changing, making it imperative for organizations to continually adapt their activities in order to succeed. To survive in a dynamic environment their strategies need to focus on their customers and deal with the emerging environmental challenges. This is necessary because they are environment serving (Ansoff and McDonnell, 1990). The overall national development objectives of the Government of Kenya are accelerated economic growth and rising productivity of all sectors, equitable distribution of national income, alleviation of poverty through provision of basic needs, enhanced agricultural production, industrialization, accelerated employment creation and improved rural-urban balance (Government of Kenya 2004).

The extent to which these objectives can be realized on a sustainable basis and in an environmentally sound manner is dependent on the degree and economic efficiency with which critical factors of production are made available and combined with each other to produce the desired results. The realization of these objectives is only feasible if quality energy services are made available in a sustainable, cost effective and affordable manner to all sectors of the economy ranging from manufacturing, services, mining, and agriculture to households.

The first attempt to prepare a *Sessional Paper* on energy was made in 1987, to among other things, mitigate the adverse effects of oil importation on the domestic economy and balance of payments and the need to have a consistent policy on energy to ensure security of supply, efficient but affordable pricing and accelerated development of indigenous resources including the search for domestic fossil fuels, particularly the hydrocarbons (Government of Kenya, 2004). In 1990 the donors imposed Structural Adjustment Programs (SAP) to revive the economy, but it was imperative that there was a radical public sector reform especially in the parastatals (Financial Times, May 10th 1994). In 1990 also the State Corporations Act was amended to enhance the accountability, economic and financial development of the parastatal sector. In 1991, the Parastatal Reform Commission was formed to regulate the corporate and economic governance of the state parastatals (Government Of Kenya, 1991).

Kenyan business environment has undergone drastic changes since the 1990s. These changes include privatization, globalization, rapid technological advancement and government reforms. These environmental changes and dynamics have affected public sector organizations in Kenya (government ministries, parastatals, regulatory bodies, public education institutions, etc). There has also been pressure from the development partners for change in the operations and management of public sector institutions.

The public sector has continued to operate simultaneously in an ever changing technological, economic, social-cultural and political cum legal environment that dictates their existence and survival. These changes require that these organizations be managed effectively and efficiently for them to succeed. The external environment is turbulent, and increases disconnection and internal competitiveness; people working harder, rather than learning how to work smarter, and increasing intractable problems beyond the reach of individual or organization (Senge 2003).

1.1.3 The Energy Sector in Kenya

The commercial energy sector in Kenya is dominated by petroleum and electricity as the prime movers of the modern sector of the economy, while wood fuel provides energy needs of the traditional sector including rural communities and the urban poor. At the national level, wood fuel and other biomass account for about 68% of the total primary energy consumption, followed by petroleum at 22%, electricity at 9 % and others at about less than 1 % (GOK, 2004). Significant reforms and restructuring were effected in the power sub sector by the Government between 1994 and 2000. The government's activities were limited to the formulation and articulation of policies through which it provides an enabling environment to all economic operators and other stakeholders. The objectives of the reforms were to create arms length commercial relationships between sector entities, and to establish the legal and regulatory framework to enhance efficiency in resource utilization and to encourage private sector investment to the sector.

There are various key players in the energy sector, which comprise the Kenya Power and Lighting Company, Kenya Generating Company (KenGen), the Independent Power Producers (IPP), The Electricity Regulatory Board (ERB) and Ministry Of Energy (MOE). KPLC is 48.97% privately owned and is listed on the Nairobi Stock Exchange (NSE) while KenGen is entirely owned by the Gok, though at the time of the study, it was in the process of releasing 30% shareholding through the NSE. KenGen and IPP's generate electricity and sell to KPLC under separate power purchase agreements for transmission and distribution. KPLC also imports power from Uganda Electricity Transmission Company. ERB regulates the sub sector while MOE oversees the policy issues.

Electricity generated in the country is mainly from hydro and thermal sources though geothermal sources contribution to the national grid has been increasing with time. KenGen mainly generates using hydro dams, which are located along the Tana River where Masinga, Kamburu, Gitaru, Kiambere and Kindaruma are situated. Other dams are Turkwel dam along Ewaso Nyiro and Sondu dam, along the Sondu River, which is currently under construction. Kengen does geothermal generation in Ol Karia Navaisha, while thermal generation is generated in Nairobi by IberaAfrica, and Kipevu in Mombasa by Kengen. Mumias Sugar Company occasionally supplies two megawatts to the grid generated through burgess. Table 1 here below shows the generation of electricity between 2000-2004.

TABLE 1: GENERATION OF ELECTRICITY

GENERATION GWh						
	Hydro	Thermal oil			Geothermal	Wind
Year		KenGen	IPP	Total		
2000	1793.8	1201.1	816.7	2,017.8	367.1	0.2
2001	2031.0	652.6	1,312.8	1,965.4	455.6	0.1
2002	3070.9	279.8	887.5	1,167.3	447.2	0.4
2003	3432.8	345.3	574.7	920.0	498.4	0.4
2004	3169.2	416.4	621.8	1038.3	986.6	0.4

Sources: Central Bureau of Statistics Economic Survey, June 2005

1.1.4 The Kenya Power and Lighting Company Limited

The level and intensity of commercial energy use in a country is a key indicator of economic growth and development. The Government of Kenya recognizes that electricity is one of the most significant growth determinants for the economy and individual companies and therefore undertook reforms in the Energy Sector. In 1993 the Government introduced structural reforms that entailed improving the efficiency and effectiveness of public sector investment, including the delivery of infrastructure services through improved efficiency and better management measures (Government Of

Kenya, 1996). One of the key players in this sector is the Kenya Power and Lighting Company Limited.

The Company was incepted on 6th January 1922 and incorporated as East African Power and Lighting Company Limited. On 11th October 1983 it was renamed as the Kenya Power and Lighting Company Limited. The company used to manage generation, transmission and distribution of electricity. In 1996 the Government of Kenya initiated power sector reforms with a view to enhancing efficiency of resources dedicated to the supply of electricity.

The Government is the majority shareholder in the company with 48.97% shares (was 51% until February 2006) while the remaining 51% stake is held by the private sector. The Government controls the company through the Ministry of Energy. The company procures electricity from generators through medium to long-term power purchase agreements. It owns and manages transmission and distribution networks of approximately 25,000 kilometers. It has six administrative regions and further satellite offices covering most towns all over Kenya. It employs 6200 staff. The company is the only licensed public electricity supplier and therefore enjoys the advantages of being a monopoly. It further manages the rural electrification program on behalf of the Government. Only 15% of the 33 million Kenyans have access to electricity. The customer base has continued to grow from 600,000 in 2000 to approximately 800,000 in 2005, which is a growth rate of 7% per annum (Government of Kenya, 2004). It has a revenue base of Ksh 24 billion per year. In the last four years the company has been making losses. In 2004 it made a profit of Ksh 874 million and Ksh 1,979 million in 2005.

TABLE 2: PROFIT BEFORE TAX.

Profit / year	Amount in Ksh. (million)
2000	(2,574)
2001	(4,104)
2002	(2,847)
2003	(4,112)
2004	874
2005	1, 979

Source: KPLC Financial Report 2004/2005

The company has been facing some challenges, which include low capacity utilization and connectivity with 15% of the Kenyan population connected to electricity, high connection costs especially to the low income, scattered settlement and informal settlements by the urban poor, high losses both financial and technical, and weak distribution networks (KPLC, 2004). These challenges have led to unreliable, inadequate expensive power, which does not spur the desired economic growth. This has caused the government to intervene and has now come with Energy Sector Recovery Upgrade Program whose key objectives are availability, accessibly, cost effective prices and sustainable power for socio-economic development.

For the Kenya Power and Lighting Company Limited to achieve it desired objectives in line with the Government it needs to rethink its strategy and its internal operations. The external environment has changed significantly and this calls for realigning strategy to fit the new environment. The new environment requires adoption of internal dynamics, which is the realignment of strategy and capabilities to the new environmental challenges. Ansoff and McDonnell (1990), argue that through strategic response a firm will be able to relate itself to the environment and ensure its success and also secure itself from surprises brought about by the changing environment.

The Kenya Power and Lighting Company Limited like any other organization, operates as an open system and this means it interacts continuously with the outside environment. The external environment provides the inputs in physical, financial and human form that are transformed by the organization and outputs in form of services and products are produced and are to be consumed by the external environment (Porter, 1985). The Company will be affected by what happens outside in the environment and therefore changes in the environment must be anticipated, assessed and monitored for the company to achieve its intended objectives.

1.2 Research Problem

The dynamism of the environment implies that organization have to constantly redesign their strategies in order to remain competitive. Failure to effectively adapt the organization, leads to a strategic problem (Ansoff and McDonnell 1990). Such a problem will be evidenced by a mismatch between what the organization offers and what the market. Pearce and

Robinson (2003) state that for organizations to achieve their goals and objectives, it is necessary for them to adjust to their environment.

Electricity, by virtue of its versatility in application is crucial to Kenya's economic growth. Moreover, it is the most sought after energy service by the society and access to electricity is associated with rising or high quality of life. The Government of Kenya (2003) recognizes the important role-played by electricity in development in Kenya. It identifies key objectives as availability, accessibly, cost effective prices and sustainable socio-economic development.

The Kenya Power and Lighting Company Limited plays a major role in the achievement of the above stated government objectives. It is the only licensed public electricity supplier and therefore enjoys the advantages of being a monopoly. Its survival is critical to the development of the country. The company has been making some financial losses from 2000 to 2003 with signs of turn round in 2004 where it realized Ksh 874 million and Ksh. 1, 979 million in 2005. It has also been criticized as poor in service delivery. The Company is regarded as liberalized but the government enjoys double influence as the company is governed under the States Corporation Act and also the government has majority shareholder holding 48.97 % at the time of study.

The company is not immune to environment turbulence and it has no capacity to control the discontinuous changes in the environment and therefore it can only respond to these changes to reduce their adverse effect to the company and to the nation, for failure of achieving the intended objectives.

In Kenya, a number of studies have been carried out to document responses by various organizations to changing competitive environment Cooperative Bank (Kathuku, 2004), Kenya Reinsurance Corporation (Mwarania 2002), Kenya Broadcasting Corporation (Migunde, 2003), British American Tobacco (K) (Mwanthi, 2003), Commercial Banks (Ohaga, 2004). These studies have revealed that different organizations respond to changes in environment in various ways. None of these studies have focused on the Kenya Power and Lighting Company Limited and we expect that it must have responded to the changes in the environment. Due to contextual differences in the above organizations, responses adopted may be different from those of Kenya Power and Lighting Company Limited. How has The Kenya Power and Lighting Company Limited responded to changes in her environment?

1.3 Research Objectives

The objective of this study is to examine the response of The Kenya Power and Lighting Company to the changes in the external environment.

1.4 Scope of the Study

The study will focus on The Kenya Power and Lighting Company Limited since the energy sector was liberalized in 1997.

1.5 Importance of the study

The findings of this study will help the Kenya Power and Lighting Company Limited and any other service provider in documenting strategy responses. It will also help the Ministry of Energy, suppliers, customers that deal with the organization in understanding why they react the way they react when faced with environment changes. The study will assist scholars in that they could use research findings to identify issues for further research.

CHAPTER 2: LITERATURE REVIEW

2.1 The Concept Of Strategy

Strategy is the plan of action stating how an organization will achieve its long-term objectives. Strategy takes a central role in linking an organization to its environment and is a unifying theme that gives coherence and direction to the actions and decisions of an organization (Grant, 2000). Quinn (1980) notes that strategy is a plan or pattern that integrates an organization's major goals and policies, and helps marshal and allocate resources into a unique and viable posture on the basis of its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents. Mintzberg (1996) agrees that strategy is a plan, pattern, position and perspective that defines organization and differentiates it from others.

Strategy can therefore be seen as the process of deciding a future course for business and has a role in organizing and steering the business on that course. According to Porter (1985), strategy is the creation of a unique and valuable position involving a different set of activities. Therefore the organization must trade off and make hard choices in determining what to do and what not to do and perform different activities from its rivals (Amurle, 2003)

The essence of strategy is to relate the organization to the changes in the environment (Ansoff and McDonnell, 1990). Koch (1995) affirms that a good strategy is the commercial logic of any business that defines why a firm can have competitive advantage. Johnson and Scholes (1999) wraps up that strategy gives the direction and the scope of an organization over the long-term. The success of any organization therefore will depend on a good strategy as direction, plan, or course to where is going. Strategy will have indications on how organizations will get there and it is about competitive edge that enables an organization to gain advantage over its competitors.

Organizations are dependent on the environment and they interact with the environment. They rely on the environment for their inputs and rely on the environment to consume its services or products as outputs. That is why it is paramount for the organization to understand its environment. The success of any organization is manifested in attaining a competitive position or series of competitive positions that lead to superior and sustainable performance. Ansoff and McDonnell (1990) conclude that strategy is a potentially very powerful tool for coping with the conditions of change, which surround the firm today. It is a tool, which offers significant help for coping with turbulence confronted by business firms. It therefore merits serious attention as a managerial tool not only for the firm but also for a broad spectrum of public organizations.

2.2 The Importance Of Environment

Firms are environmental dependent whereby they rely on the environment to get their inputs and further rely on the same environment to consume their inputs. The environment is not static but it is continuously changing. Burnes (2004) defines environment as those forces external to an organization, such as markets, customers, the economy etc, which influence its decision and internal operations. According to Thomson and Strickland (1993), firms have to scan the environment in an effort to spot budding trends and conditions that could affect the industry and adapt to them. Failure to do this will lead to serious strategic problems characterized by the maladjustment of the organization's output and the demands of the external environment.

An organization's external environment includes economic forces, social, cultural, demographic and technological features, competitive forces such as the competitors, customers and suppliers. The forces in the environment can be categorized into remote environment, (which originates beyond, usually, irrespective of any single firms operating situation), industry environment, (which comprises entry barriers, supplier's power, buyer power, substitute availability and competitive rivalry), and operating environment comprising competitors, creditors, customers, labour, suppliers etc (Porter, 1985).

Johnson and Scholes (1999) argue that changes in the environment give rise to opportunities for the firm but also exert threats to it. Drucker (1974) affirms this and asserts that neither results nor a resource exits in business. He defined business as a process that converts an outside resource, namely knowledge, into an inside, namely economic value. The firm therefore has to continue changing to keep pace with the changing environment. This is done through strategic management, which is to position and relate the firm to its environment in a way, which will assure its continued success and make it secure from surprises.

This external component should have strategic fit with the internal environment, which includes the organization's systems, policies, resource capability and corporate culture (Pearce and Robinson, 2003). If a resource has little impact on the external opportunities and threats facing the organization, regardless of how rare, inimitable and non sustainable the resources, it will have little value (Hitt et al., 1999). Resistance to change frequently leads to gaps between the behavior of a firm and the imperatives of the environment.

The globalized economy is creating both more hazards and opportunities for everyone, forcing firms to make dramatic improvements not only to compete and prosper, but also to survive. Globalization in turn is being driven by broad and powerful forces associated with technological change, international economic integration, domestic market maturation with the more developed countries, and the collapse of communism (Pearce and Robinson, 2003).

Research done within Kenya has shown that firms are dynamic as the environment. They respond in various ways to changes in the environment, which include marketing, introduction of products, restructuring and adoption of new technology. Mwarania (2003) revealed that Kenya Reinsurance had adopted restructuring, and staff development as a response to competition in the environment. Thiga (2002) confirmed that airlines responded in expansion of networks, shelving of unprofitable routes and cutting cost to survive in a changing environment. Chepkwony, (2001) and Isaboke, (2001) concluded that oil firms made major marketing strategy adjustments in order to be competitive in the liberalized market while Njau, (2000) confirmed that East African Breweries Limited had made adjustment in competitive position in the face of increased competition. Wairegi (2004) affirms that insurance companies responded by introducing new products, new distribution channels and undertaking organization structures and computerizing of core business processes to changes in the environment. Kandie (2003) confirmed that Telkom Kenya was also faced with fierce external competition and also to undertake internal adjustment.

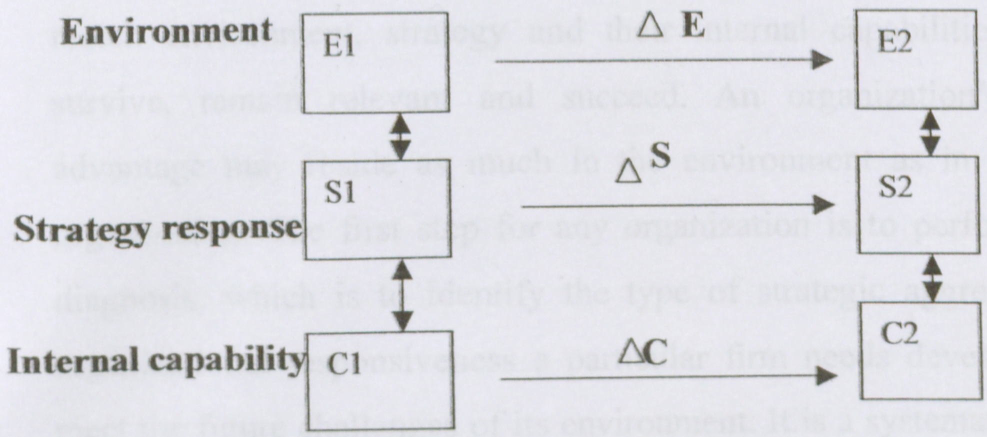
2.3 Strategy, Environment and Organization Capability

Organizations have two types of capabilities; these include functionality and general management capability. Functional capability includes functions such as research & development, marketing, and production for executing the strategy General management capability role is to identify, plan, and guide the strategy. Both capabilities complement each other (Ansoff and McDonnell 1990).

The environment is not static. Survival and success occur when an organization creates and maintains a match between its strategy and environment, and also its capability with its strategy (Grant, 2000). Strategic response calls for organizations to alter their strategy to match the environment and redesign their capabilities to match the strategy.

Figure 1 below illustrate how an organization is expected to react when there is change in environment.

Figure 1. Relationship Between Environment, Strategy & Organization Capability.



Adapted from Ansoff and McDonnell 1990

Key

E1 Environment 1	**E2 Environment 2**
S1 Strategy 1	**S2 Strategy 2**
C 1 Capability	**C2 Capability 2**
△Change	

In environment E1 there is strategy S1 and capability C 1. The firm uses strategy S1 to meet its objectives, but the success of the strategy will depend on the capabilities of the firm. So long as the environment remains on level E1 the firm must maintain capability at C1 to assure of its success of its strategy S1. In future, environment analysis shows that turbulence will move to higher level E2, strategy must therefore move at the same rate to strategy S2, and simultaneously with capability to C2. If environment changes and there is no shifts in the strategy, then there is a strategy gap, and if strategy shifts without complementary shift in capabilities, then there is capability gap.

According to Porter (1985) the challenge to organizations, is to continuously match environment, strategy and their internal capabilities in order to survive, remain relevant and succeed. An organization's competitive advantage may reside as much in the environment as in the individual organization. The first step for any organization is to perform a strategic diagnosis, which is to identify the type of strategic aggressiveness, and organizational responsiveness a particular firm needs develop in order to meet the future challenges of its environment. It is a systematic approach to determine the changes that have to be made to a particular organization's strategy and its internal capability in order to assure the firms success in its future environment. Strategy diagnosis identifies whether a firm needs to change strategic behavior to assure success in the future environment (Ansoff and Mc Donnell 1990). If the diagnosis confirms the need, the next step is to select and execute specific cushion, which will bring the firm's strategy and capability in line with future environment.

2.4 Responses

Different organizations will respond differently to the changes in the environment. Johnson and Scholes (1999) views strategic responses as strategic fit and stretch. The basis of this argument is that strategy is the matching of the resources and activities of an organization to the environment in which it operates. Strategic fit is when an organization develops strategy by identifying opportunities in the business environment and adapting resources and competences so as to take advantage. This calls for the organization to position itself to meet identified market needs. Strategic stretch is the leverage of the resources and competitive advantage and /or yield new opportunities. This is achieved through differentiation based on the competences suited to or creating market needs.

Thompson (1997) defines strategic adaptations as changes that take place over time to the strategies and objectives of an organization. Such changes can be gradual or evolutionary, or more dramatical, or even revolutionary. Strategic responses involve changes to the organization's strategic behavior. The responses may take many forms depending on the organization's capability and the environment in which it operates. Well-developed and strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. Strategic responses may be environment based, capability based and/or expectations based. Environment based response is the fitting of strategies to changing environment while capability based response is the stretching and exploiting of the resources and competences within the organizations. Expectations based response is the meeting of the expectations created by the cultural and political context. Organization's response may fall into two categories, which are the strategic and operational. This could be in the form of market and product coverage, technology, culture change, leadership and restructuring,

2.4.1 Market And Product Coverage

According to Johnson e t al (2005) a combination of responses will be usually pursued if organization is to develop successfully in future. For example, developments into new markets usually require some products change too. An excellent way to analyze this strategic response is to use the Ansoff (1988) matrix on product –market expansion grid as illustrated here below.

Table 3 The Ansoff Matrix (1988)

	Existing products	**New products**
Existing markets	**A. Protect and Build** Consolidation Market penetration	**B. Product Development** With existing capabilities With new capabilities Beyond current expectations
New markets	**C. Market development** New segments, uses, territories With new capability Beyond current expectations	**D. Diversification** With existing capabilities With new capabilities Beyond current expectations

Source: Johnson e t al 2005

Box, A which is to protect and build strategic response, is done through consolidation and market penetration. Consolidation is where organization will protect and strengthen their position in their current markets with current products. Since the market situation is changing this does not mean, standing still but require considerable reshaping and innovation to improve the value of an organization's products or services. Market penetration is where an organization gains market share. Box B is on product development where organizations deliver modified or new products to existing markets.

This is needed to survive but also present considerable opportunity. This will call for an innovation, which is key to success in today's competitive environment as firms, which do not innovate do not survive (Ansoff and McDonnell, 1990). Box C market development where organizations are offered in new markets while Box D is diversification where an organization is taken away from both its current markets and products.

2.4.2 Technology

According to Porter (1985) technological change especially information technology, is amongst the most important forces that can alter the rules of competition. This is because a large part of business activity is concerned with process and transmitting within and between organizations. Information technology can therefore improve organization's strategic capability and creates competitive edge. Technology development can take several forms, each which might give organizations advantage in a particular way. Such as novelty in product or service, novelty in process so that others cannot match the speed, lower cost and customized products. It can also offer processes that are complex so that others find difficult to master. According to O' Brien, (1999) strategic information systems use information technology to develop products, services and processes and capabilities that give a business a strategic advantage over forces it faces in its industry.

The developments of computer and telecommunications have transformed the business environment and process. The computer has enabled the automation of many processes in business organizations which has led to dramatic improvements in productivity and reduction in costs while telecommunications have dramatically improved the speed with which information is transmitted thus facilitating speedy decision making. Information technology has become crucial in strategic forces that businesses have initiated to meet the challenges of change. These strategic forces include internetworking, the Internet, intranets, extranets among others (Wairegi 2004).

2.4.3 Restructuring

Restructuring refers to changes an organization may prefer to pursue in the long term in order to change both strategic and operation direction of the corporation. It is an internal adjustment in response to the external environment to achieve organizational strategic fit. This involves changing the current direction, focus, governance and thinking in order to take advantage of the new opportunities posed by the environment or turn threats into opportunities. Further, restructuring will be undertaken to overcome identified and anticipated competitive disadvantage or weakness challenges. The restructuring of business firms stems as a response to opportunities and threats arising from the turbulent changing environment or treating of weaknesses and update strengths inherent in the internal of an organization. Restructuring is therefore a long-term strategic answer to persistent corporate challenges and imminent failures. It is aimed at identifying root causes of corporate failures and/or strategic-planning gaps and finding long-term solutions, and to enhance shareholder value (Pearce and Robinson, 2003)

Restructuring may refer to asset restructuring, capital restructuring and management restructuring. Asset restructuring entails sale of unproductive assets or lines of business that are peripheral to the core business. Outsourcing is key and enables organization to concentrate on its core businesses, while benefiting from the cost efficiencies companies that specialize on the outsourced activity. Capital restructuring refers to changing capital-debt mix or mixes of different debts and different types of capitals and debts. This will most often relate to ownership controls as source of funds or politics and influences. Management restructuring relates to change in top management teams, organizational structures and reporting relationship. This extends to management rightsizing of middle level management.

One of the popular methods for restructuring is the Business Process Re-engineering popularized by Hammer and Chappy (1983). This method is intended to reorganize an organization so that it can create value for the customer by eliminating barriers that create distance between employees and customers. It involves fundamental rethinking and radical redesign of a business process to achieve dramatic improvements such as cost, quality, service and speed. This has led to downsizing, outsourcing and self-management as the three themes influencing organization structure.

2.4.4 Organization Culture

Organizational culture is a set of important assumptions (often unstated) that members of an organization share in common (Pearce and Robinson 2003). Culture comprises the deeply rooted (but often unconscious) beliefs, values and norms shared by the members of the organization. Culture drives the organization and its actions. It is somewhat like "the operating system" of the organization. It guides how employees think, act and feel. It is dynamic and fluid, and it is never static. A culture may be effective at one time, under a given set of circumstances and ineffective at another time, depending on the environmental conditions and dictates. In this context therefore, it is vital for organizations to continuously and consistently align their culture to their strategic direction, if such organizations hope to be successful in their business. This is particularly important for the organization's competencies in the timely identification of strengths and weaknesses of the organization and in accurately pinpointing the opportunities and threats posed by the external environment.

If the competitive environment is changing fast, the organization's strategies must also change and align the organization to the new level of environmental turbulence equally fast, if the organization is to continue to succeed in its business. Organizational culture must equally change in order to formulate in the first place, and support the new strategy and allow the organization cope with those changes in the environment. However, an organization may only need to change some of its practices and secondary values while keeping a few precious and non-negotiable core values intact. Fast growing corporations for example, must hire a large number of new employees. It is critical that these new hires are a good fit with the current culture. If an individual is not synchronized with the culture, they cannot fit into the organization's cultural set-up and cannot therefore contribute effectively to the realization of the organization's strategic objectives (Pearce and Robinson 2003).

Kotter (1990) notes that truly adaptive firms with adaptive cultures are awesome competitive machines. They produce superb products and services faster and better, even when they have fewer resources or less market share. One approach to develop a culture of quality is through the Total Quality Management (TQM) whose ideas were championed through the Deming principles of plan-action –check- act Cycle. Successful organizations must be able not only to deliver a high level of customer service, but also manage cultural change. TQM focuses on the continuous improvement of all operations, functions, and above, processes of work. An important tool of this approach is benchmarking whose objective is to identify the best practices in performing an activity, to learn how to lower cost, fewer defects, or other outcomes linked to excellence.

2.4.5 Leadership

Leadership is the art of coping with change (Kotter 1990). Leadership is important in that business has become more competitive and more volatile. According to Pearce and Robinson (2003), organizational leadership involves action in first guiding the organization to deal with constant change, clarifying strategic intent and shaping the culture to fit with opportunities and challenges that affords and second, identify and supplying the organization with operating managers prepared to provide leadership and vision.

Since change has become a way of life the leadership role in strategic management change has taken center stage. The general manager of yesteryears is no longer the arbiter of different functions in an organization. He must be a change manager, a charismatic leader or political statesman whose responsiveness especially in discontinuance is critical. Even where a firm is not in a crisis he must raise performance targets and continually inspire people to improve. The manager must display strong leadership, great courage, responsibility and humility. Visionary leadership must compliment his management skills (Kotter 1990).

In a study done in Kenya, Bett (1995) revealed that economic reforms in Kenya forced firms in the dairy industry to make substantial adjustment in their strategic variables, which included the marketing mix component of product, promotion, place and price. Mathenge (2003) revealed that firms in the agriculture sector undertook strategic responses to realign themselves to the changes in the environment. Strategies undertaken included focusing on the core business, marketing, new technology and reconfiguring of internal processes. Other responses included change of the structure to match with the new strategies.

In the aviation industry Thiga (2002) found that in response to environmental turbulence, all airlines surveyed had one or another adapted strategies that enabled them to cope with the changed environmental conditions. Some had formed partnerships and alliances in order to globalize their routes to gain competitive edge. Wairegi (2004) on insurance industry revealed that the industry responded to environmental changes through initiatives as new product development, development of new distribution channels such as Internet, organization restructuring, investment in human resources development and computerization of the core business processes.

From the literature reviewed above, it is apparent that organizations are environment dependent. Organizations therefore, have to respond in order to survive in the changing environment. Different organizations adopt different responses, due to the differences in context. That is in size, resource base, ownership, and management orientation.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

The research was done through as a case study. The study was aimed at identifying and documenting strategic responses to changes in the environment focusing on the Kenya Power and Company Limited. A case study is an in-depth investigation of an individual, group, institution or phenomenon (Muganda, 2001). Kothari (1990) defines a case study as a very powerful form of qualitative analysis and involves a careful and complete observation of a social unit, be that of a unit person, family, institution, cultural group or even the entire community.

The advantages of using case study is that it enables an in-depth understanding of behavior patterns of the concerned unit facilitating intensive study of concerned unit which is not possible with different methods. It also avails possibility of obtaining the inside facts from experienced employees. The case study also enriches generalized knowledge and makes it possible for the researcher to use one or more methods depending upon the prevalent circumstances for example in depth interviews and questionnaires (Kandie, 2001).

3.2 Data Collection.

The researcher held in-depth interviews with members of the top management. A questionnaire was used as a guide in the interviews. The managing director and chief managers representatives were interviewed.

The chief manager, IT and telecommunications addressed issues on technology, chief manager, distribution and customer service addressed issues on marketing, new product and distribution channels, chief manager, finance addressed issues on financial strategies, chief manager, planning and strategy, addressed issues on corporate planning and strategy while the chief manager human resource and administration, issues on staff development among others.

Secondary data was collected form relevant available materials within the company. This was in form of financial reports, government policies and other internal correspondences.

3.3 Data Analysis

Data collected from the interview was analyzed qualitatively using content analysis technique. The data was evaluated and analyzed to determine adequacy, credibility, usefulness and consistency. Content analysis is a technique for making inferences by systematically and objectively identifying specific messages and then relating the trends. This type of analysis has been used in similar studies in the past including Kandie (2001), Amurle (2003) and Kathuku (2003).

CHAPTER 4. RESEARCH FINDINGS

4.1 Challenges

4.1.1 Financial Performance

According to the respondents The Kenya Power Lighting Company Limited had over the years recorded modest profits and paid reasonable dividends to its shareholders until the year 1998/99 when it recorded a profit of Kshs. 1,722 million. Thereafter the power subsector was adversely affected by severe drought that ravaged the country from 1999/2000, leading to unprecedented power rationing and depressed economy.These factors impacted negatively on the performance of the company with revenues falling short of projections by 28%.

As a result of the reduced sale, in 1999 to 2003, the company incurred heavy pre-tax losses annually, which cumulatively amounted to Ksh 13.64 billion. Consequently, the losses eroded the capital base of the company to negative position. In addition, the company was unable to pay its major suppliers within the respective contractual credit periods. In an effort to redress the situation the company has been implementing various strategic measures to return the company to profitability and exploring other measures of strengthening the capital base.

4.1.2 Separation of KenGen and KPLC

The power sector reform in mid-1990's reshaped the electric power sector. All the public generation facilities were transferred to KenGen while the transmission and distribution assets were vested in Kenya Power and Lighting Company.The exercise entailed transfer of all generating assets to KenGen while the transmission and distribution assets remained with the Kenya Power Lighting Company Limited. Independent Power Producers (IPP) were also licensed to participate in the generation.

According to the respondents the Kenya Power Lighting Company previously had a vertically integrated business from generation to distribution of power supply but after the reforms the company lost synergy from the separation of business units. Company decisions earlier were based on internal or administrative transactions rather than market transactions to accomplish its economic purposes. The separation was effected on 30th June 1999 and metering of the energy generated and supplied to KPLC, was metered and billed. Both companies resulted in drawing the power purchase agreements.

The company- decision-making changed from internal transactions to sell and buy financial calculations. Subsequently signs of poor performance became more visible as the company had to pay for the supply to KenGen and recover from the sales. Consequently the company started to implement recovery plans comprising of system losses reduction, staff retrenchment and measures to reduce an unsustainable operating cost structure, expansion of customer connections to increase revenue generation and improvement of revenue collection. These measures did not yield much improvement on the financial performance.

4.1.3 Effects Of The 1999-2001 Drought

In 2000 the country was faced with severe drought, which led to shortfalls in power supply and according to the respondent the drought adversely affected the company in various ways. These included reduction in tariffs yield, increase in cost of working capital by financing of fuel and managing of rationing programs, reduction in sales and incurred system losses. At the same time the national economy remained in a depressed state with the GDP growth declining to 0.5 % in 2000 compared to 1.8% and 1.4% in 1998 and 1999, respectively. These contributed to drastic reduction in sales. On the other hand operating expenditure increased substantially as a result of the combined effects of an increase in the tariff on bulk purchases and increased generation from the fuel based plant during the dry season. Table 3 shows the impact of the drought in 1999 to June 2001 in Ksh millions

TABLE 4: Loss Arising From Drought.

Causes	1999/2000 (Ksh) million	2000/2001 (Ks million
Reduction in Tariffs	2,120	1,334
Non implementation of Retail tariff review (Due to state of Economy)	0	1,892
Increase in working capital fuel financing and rationii program)	996	1,329
Reduction in sales due to rationing	1,354	2,852
System losses	1,422	903
Non recovery of fuel	683	1,694
TOTAL IMPACT	6,575	9,914

Source: KPLC Financial Report 2001/2002

According to the respondent KPLC was to purchase supply from the emergency power providers and independent power producers to reduce rationing time. The effects of the drought expeditiously declined the company performance such that by the 2003 its capital base was severely eroded.

4.1.4 Other challenges

The respondent felt that since the company is governed under the States Corporation Act it is liable to full government control, which sometimes interferes with key management decisions. Key decisions have to be vetted and approved by government. This cannot work well were the company is to run like a private enterprise. They felt that the company should be governed as a private venture if is to survive in a competitive environment.

Other challenges include the increase of the customer tariff, which is controlled and regulated by the Electricity Regulatory Board. While in any business setup the cost of inflation and increase in operational cost is passed to the customer the company has no control of the pricing. The last tariff increase was in 1999 and any proposal will be subjected to the Electricity Regulatory Board. The company has petitioned the regulatory board and a consultant is undertaking a tariff study, which will recommend the tariff both at the supply and retail point.

The company also operates in an poor and developing economy and as such some of the customers are only eager to be connected but they cannot afford the sustainability of the supply which cost an average of Kshs 500 while 56% of the population live in less than a dollar a day.Other challenge is the theft that is brought by illegal connection to supply especially in the low income areas such as Mathare and Kibera slums. These factors heavily contribute to the loss of revenue of the company.

Internally, the company is faced with challenge in information flow from top to bottom, which is characterized by layers of chain of command levels of managers and supervisory level. The company has a staff complement of 6,000 staff, and is difficult to carry everybody along and also for information flow. Resistant to change is visible as the company has staff of different age groups whom will not change at the same rate. The age group that has worked and risen through the ranks within the company is seen as slow to change.

Another challenge is the dwindling resources for the generation of power as compared to the increasing demand for power. The country relies heavily on cheaper power, which is hydro generated and this source is almost exhausted. The challenge is further worsened, as drought is not controllable. To counter this challenge there is a proposal that the company imports power from Tanzania, which is cheaper, by constructing a 330 Kv transmission line between Nairobi and Arusha by the year 2007. Thereafter power imports from the Southern African Power Pool will be possible when Tanzania interconnects with Zambia. Other strategies include focus on the development of other source of power like the geothermal, wind and thermal.

4.2 Responses

4.2.1 Restructuring

The respondents stated that in year 2000, the company carried out a business re engineering process that guided on the restructuring strategy. This intended to reorganize the organizational structure so that it would create value for customers by eliminating barriers that distance between employees and customers and achieve dramatic improvements on costs. Restructuring was carried out by consolidating functional divisions from fifteen to seven, reduction of operational areas from six to four business regions. Futher service delivery processes were combined and streamlined and staff were reduced by 1000 employees.

The former structure was functional while the new structure was more of regional business units focusing more on the customer. The goal was to ensure that customers were served at one stop, and subsequently, the company created zones that were headed by a business manager who was to handle all the customers' needs. However the model did not work as excepted as the heads continued focusing into in their line of specialization and neglecting the other areas. According to the respondents there was no training to prepare the new appointed zonal heads, the head office staff felt powerless, and not accountable as the processes were delegated to the zones. In year 2003 the company dismantled the zones and created a mix of the two structures that was meant to cater for weakness of the zones. At the time of this research, a consultant was studying on an ideal structure for the company.

As a result to the effects of the severe drought, there was shortage of power supply and therefore reduced sales thus affecting the financial performance, and non realization of projected retail tariff. The company was unable to pay Kengen and accrued a debt Kshs 12,260 million and to the government Kshs 3.639 million as at the 2003. Financial restructuring was therefore embraced, and Kengen waived the debt arising from the late interest penalties of Kshs 1,182 million. The shareholders and the Capital Market Authority also converted 12,260. million owed to KenGen and Kshs 3,639 million owned to Government of Kenya by the company into 7.85% redeemable no-cumulative preference shares. This restructuring of debt enabled the company to save about 1.1 billion in interest annually.

The company also re-negotiated bulk tariff reductions with its bulk power suppliers, including KenGen, Uganda Electricity Transmission Company, OrPower 4, Westmont and IberaAfrica. These negotiations were aimed at improving the trading margin and reduce overall bulk power purchases. This was achieved and according to the respondents a reduction Ksh. 2,360,000 million annually was realized. Westmont contract was not renewed.

The respondent stated that non-core assets were identified for disposal as one of the strategic measures that were to contribute towards improvement of the balance sheet and overall corporate financial performance through easing funds availability. Some of these assets included vacant land and residential houses, which the company was not utilizing. According to the respondents approximately Kshs.460 million was realized from the sale of the non-core assets.

The company also outsourced some of the non-core activities such as cleaning, security and line construction activities. This enabled the organization to concentrate on its core business, while benefiting from cost efficiencies of the companies that specialize with the outsourced activities.

4.2.2 System Loss Reduction

The respondents stated that both distribution and transmission systems were not reinforced and /or improved in the 1990's as required and to commensurate with growing demand. One of the reasons was that, it required substantial amounts of money and had to be borrowed or sourced from the donors, whom had placed an embargo to the country in the 1990's. Weak systems therefore contributed to large amounts of the system losses.

In year 2002, the company undertook measures to reduce system losses by creating a team to focus on the implementation of the identified initiatives, which included, intensive customer installations inspections, implementation of major reinforcement schemes, optimization of relevant information systems. In 2002 the system losses were reduced by 0.52%, from 20.5% in 2003 to 19.98%. This measures yielded Kshs 200 million per annun for every percentage point of loss reduced.

The company further identified projects to be implemented in order to expand distribution capacity to meet new demand. The World Bank and other financial agencies were approached and accepted to finance projects under the energy sector recovery upgrade programme. This project was aimed at improving the efficiency, reliability and quality of supply as well as increasing access to electricity and it commenced in 2004. Gains expected once completed to be realized on the project include connection of about 400,000 customers; reduction of system losses to about 14.5% improvement of availability of 220 KV and 132 KV lines to at least 97% and reduction of low voltage monthly breakdowns to no more that 4,000.

Under the energy sector recovery program a management contractor, was to be hired to improve the company's management capacity under a two-year contract. This is aimed at accelerating the company's performance and ensuring its sustainability. The management contractor is required to achieve defined performance targets on reduction of system losses, power interruptions and voltage fluctuations, increased connection of new customers, improvement in revenue collection and operational efficiency. The management contractor is to commence work on 1st July 2006.

4.2.3 Marketing and Product Coverage

The respondents stated that in order to enhance the revenue base, increase profitability and improve national accessibility to electricity, the company in 2003 set a target of connecting a minimum of 150,000 new customers per year up to 2006 instead of an annual average growth of 40,000 customers achieved over the past years. The enhancement was done through revision of connection policy whereby the installation charges were lowered to Kshs 35,000 per new household. This was as a response to the customers who viewed the earlier charges as exorbitant. The company further introduced the 'umeme pamoja' initiative that encouraged groups of household to pool together and apply for connection. This initiative has brought on board a number of customers especially within the periurban where population is growing. Other initiatives included customer education where marketing officers were recruited and sent to visit the areas with potential customers and lure them to apply for supply. These potential markets would be linked to financiers who were willing to fund electricity schemes. These financiers include, Faulu Kenya, Spanish, Chinese and French government.

The Kenya government also facilitated schemes through the Rural Electrification programme. This is intended to increase the number of household that are connected which stands at 8% of the population. Under this program the government meets the cost of supply electricity to the local public utilities for example the schools and hospitals in the rural areas. The households around these facilities are encouraged to apply, as the cost is cheaper as the distance of the line is shortened. At the time of the study approximately over 100,000 customers had come on board and they were waiting connection.

4.2.4 Customer Service

According to the respondents customer services was not treated as important and this could be seen in the way, which the company viewed the customers as 'consumers' and that the company was doing a favor to them. Paying facilities were few and congested and unfavorable to customers. However with the liberalization and expansion of democratic space the customers demands to be treated well. Subsequently the company has established new paying centers to in an attempt to reach the customers paying electricity bills at their convenience, this paying points are made online to enable the service beyond receiving monies but answer operational queries. Introduction of electronic payments of bills through Standard Chartered and Cooperative banks further eased congestion in banking halls and reduced the billing cycle period, and accelerated resolution of counter queries. The company has continued to explore ways of enhancing customer convenience in electricity bills payment. In 2005 the company introduced an electronic bill query system, branded as e-bill, and a SMS messaging. The system enables customers to access their accounts balances electronically.

The customer also used to complain of wrong billing and high estimates, and as a response the company has introduced of new computer systems and regular meter readings in order to bill correctly. The customer service has improved as the company embarked on training of staff on customer service so that they view the customer differently and as the most important person in their business. However there are still areas that require for improvement especially in new supply and reconnection after disconnection.

4.2.5 Planning and Strategy

The respondents stated that the company has plans, objectives, vision and mission to run the organization. It has a strategic business plan that runs for five years though reviewed annually to meet the current challenges the company is facing. The company's vision statement is "To achieve world class status as a quality business enterprise so as to be the first choice supplier of electrical energy in a competitive environment" while the mission statement is " to efficiently transmit and distribute high quality electricity throughout Kenya at cost effective tariffs; to achieve the highest standards of customer service; and to ensure the company's long term technical and financial viability". The company's core values include, teamwork, people, equal opportunity and results among others. The company's objectives, goals and plans are well communicated to employees. At the time of the study the company was in the process of changing the company's mission and vision to meet the current goals.

4.2.6 Organization Culture

Culture drives the organization; it is like an operating system. It is among the four primary practices that enable companies outperform their peers in the industry. Others are strategy, execution and structure (Nitin et al., 2003). According to the respondent, the organization's culture is influenced by continuous training of the employees in order to align to the strategic direction.

The respondents stated that the company's culture has evolved from the 90's when there was little automation. Currently every employee is computer literate and most of the company processes are computerized. This has hastened flow of information and thus increased speed of processes and execution of work. The company is currently undergoing 1SO 9001, certification and is expected to be complete by June 2006. It is focusing on continuous improvement of all operations, functions and processes of work. The change has been caused by change in the operating environment especially in this information age where other company's demands their trading partners be of a certain class. For example, the company trades with that are ISO certified and thus it is desirable for the company to flow suit.

The company entered into performance contract with the government in June 2004 under which was to achieve a number of targets. This has been cascaded to all employees in the management and has endeared a culture of targets, which champions a culture of accountability and responsibility. It has further inculcated teamwork as the employees have realized one's target affect or is affected by the other employees.

The respondents felt that the company aims at retaining highly competent, motivated professional staff in order to meet corporate goals. Great importance is attached to staff training and development as a means of ensuring that employees have requisite competencies to perform their jobs. The company trains the staff both locally and overseas through workshop and courses.

The company has also undertaken a job evaluation exercise covering both management and unionsable jobs so that a grading structure for employee performance review and career development, and a fair equitable structure are achieved.

4.2.7 Information Technology

Before the 90's the company operated manually and information flow was very slow, however with evolution of information technology the company was exposed to new challenges and has responded in enhancing the technology as it gives vital to business support. In 1998 the company created a new information technology division and it also managed to launch an E-mail system, which enabled faster exchange of information within the company operations and also connection to The Internet. Electronics commerce has exposed local and regional market to substantial foreign competition, maintenance of a website and acceptance of e commerce has been accepted.

The company also implemented a wide area telecommunication network to address areas not covered by Telkom Kenya. This enabled quality date transmissions around the country. Expansion of the integrated IT system has continued throughout the years under study. In 2000 the company adapted Geographical Information System (GIS) for mapping the locations of key electrical installations.This improved field operations particularly network maintenance and repairs. In addition all the company offices are networked and work online.

The company maintains a website where customers can obtain all relevant information about the company and also down load the supply forms. The company is in the process of implementing the prepaid meter systems and it the time of this research a pilot study was undergoing at Imara Diama estate in Nairobi.

CHAPTER 5. SUMMARY AND CONCLUSIONS

5.1 Summary

From the findings of this study, it is evident that the company has faced many challenges caused by changes in the environment. The changes have posed challenges to the company, which include separation of the business, drought, changes in technology and bureaucratic processes. The challenges have been responded by the company in terms of system losses reduction initiatives, review of power tariffs, restructuring, improved revenue collection and expansion of customer connection.

The environment facing the company has been characterized by turbulence especially the drought and is very expensive to mitigate. As observed from this research, the effects of the drought of 1999 adversely affected the performance of the company through reduction of sales characterized by rationing and expensive power supply costs. The challenge to the company is to stop over reliance on one source of power especially the hydro source, which is related to unpredictable weather patterns. The company should also utilize lessons learnt on procurement of the independent power producer and the emergency generators so that they are able to reach optimum pricing without one party taking advantage of the other.

The company also is greatly influenced by the government as a majority shareholder yet the company is listed in the Stock Exchange and it's expected to run like a private business organization. The government regulations tend to delay decisions making and is therefore recommended that the company be left to run like a private business. The company should also pursue to a market driven bulk and retail tariff structure. Though the company is faced with little competition form the LPG gas and solar energy, it should be aggressive in enhancing the customer base. It was noted that there are attempts in satisfying the customers through arrangements of paying the bill there is a lot more that should improved on the customer service especially reconnections after disconnections and new supply. The company is commended for making a step to be certified as ISO 9000 which is a way of trying to continuous improve on the processes and thereafter be able to benchmark with other similar organization in the world.

5.2 Conclusion

From the study is apparent that KPLC is environment dependent and like any other organization it has responded to these changes for its own survival. It has responded by expanding its customer base, renegotiating bulk pricing, re organization structure and pursuing for a market driven bulk and retail tariff.

5.3 Limitations of the Study

The study was carried out in a period of less than twelve months and the study was to cover responses since 1997. This is considered very short and also that within this period the changes happening within the company were very many. One of the respondent's felt that things were changing too fast and as such it was difficult to respond correctly. Other respondents felt that the responses were contradictory and others were not give adequate time to achieve the intended goals. Another limitation was that they was no other organization offering similar services to Kenya Power and Lighting Company within the country that the researcher would have compared with the findings. Lastly obtaining the information was difficult as the respondents considered some of the questions as sensitive and thus withheld the information.

5.4 Suggestion for Further Research

This study has focused mainly on responses to environment changes by the Kenya Power Lighting Limited while the other major players that are closely in the energy sector that influence the response. Further study may help to research on the entire sector or in the closely related firms like KenGen, independent power producers and the Energy Regulatory Board.

REFERENCES

Andrews, K.1971, **The Concept of Corporate Strategy**. Homewood, Illinois; Irwin

Ansoff, H. I & E. McDonnell, 1990, **Implanting Strategic Management.** Second Edition, New Jersey, Prentice Hall

Amurle, G. 2003, **The Responses Of Family Planning Association Of Kenya To Changes In Is Operating Environment Conditions,** Unpublished MBA Project, University of Nairobi.

Bett S.K 1995, **Strategic Marketing Of Dairy Products In Kenya** Unpublished MBA project, University of Nairobi

Chepkwony J (2001) **Strategic Responses Of Petroleum Firms in Kenya to Challenges of Increased Competition in the Industry**, Unpublished MBA Project, University of Nairobi.

Burnes B, 2000, **Managing Change,** Third Edition, Prentice Hall, London

Government of Kenya, (2003), **Economic Survey**, Government Press Nairobi.

Government of Kenya, **National Energy Policy** (draft) 2004, Ministry of Energy Government Press Nairobi.

Government of Kenya, (1991) **Kenya Parastatal Reform Action Plan,** Government Press, Nairobi.

Government of Kenya, (1997) **The Eighth National Development Plan,** 1997 2001, Government Press, Nairobi.

Government of Kenya (2005), **Economic Recovery Strategy for Wealth and Employment_Creation, 2003-2007.** Government Press, Nairobi.

Government of Kenya (1997) **National Development Plan,** 1997-2001, Government Press, Nairobi

Grant, R.M 2000, **Contemporary Strategy Analysis, Concepts, Techniques Applications,** Third Edition London, Blackwell Publishers

Hammer M and Champy J. 1983, **Reengineering the Corporation** A Manifesto For Business Revolution New York, Harper Collins

Hitt, M.A, Patricia G.C, Robert D N and Kevin P C 1999, **Dynamic Strategic Responses, Development, Diffusion and Integration**. New York: John Willey & Sons Ltd

Isaboke S (2001), **An Investigation of Strategic Responses By Major Oil Companies in Kenya To Threat of New Entrants.** Unpublished MBA Project, University of Nairobi

Johnson G. and Scholes, K. 2003, **Exploring Corporate Strategy.** Sixth Edition Prentice Hall of India, New Delhi

Johnson G, Scholes K and Whittington R. 2005, **Exploring Corporate Strategy.** Seventh Edition Prentice Hall

Kandie (2001), **Strategic Responses By Telkom Kenya Limited In A Competitive Environment.** Unpublished MBA Project, University of Nairobi.

Kenya Power and Lighting Company (2004), **Five Year Strategic Business Plan,**2004/5-2008/9

Kenya Power and Lighting Company, 2003/2004. **Annual Reports and Accounts** Published Accounts, Nairobi

Kiptugen E J (2003), **Strategic Response To Changing Competitive Environment; A Case Study of Kenya Commercial Bank.** Unpublished MBA Project, University of Nairobi

Kathuku J Karambu (2004) **The Strategic Responses To Changes in Environment by the Cooperative Bank of Kenya;** Unpublished MBA Project, University of Nairobi

Koch, Richard; 2000, **The Financial Times Guide To Strategy:** Second Edition,London, Prentice Hall

Kombo, H. 1997, **Strategic Responses By Firms Facing Changed Environment Conditions: A Study Of Motor Vehicle Franchise Holders In Kenya.**Unpublished MBA Project, University of Nairobi.

Kothari C R. 2004. **Research Methodology. Methods and Techniques** New Age International Publishers.

Kotler, P 2003, **Marketing Management,** Eleventh Edition, Prentice Hall India

Kotter J P (1990), What Leaders Really Do, **(Harvard Business Review),**

May-June.

Mathenge, (2003), **Organization Responses To Environmental Changes In The Agriculture Sector: The Case Of Apex Public Crop Management Organizations In Kenya.** Unpublished MBA Project, University of Nairobi.

Migunde F Achinge (2003), **Strategic Of Responses Kenya Broadcasting Corporation to Increased Competition. .** Unpublished MBA Project, University of Nairobi.

Muganda,Olive 1999, **Research Methods, Quantities and Qualitative Approaches** Acts Press , Nairobi.

Mwarania J.M (2003) **Responses By Reinsurance Companies in Kenya to Changes in Environment; The Case Study Of Kenya Re.** Unpublished MBA Project, University of Nairobi.

Mwanthi J.W (2003) **Strategic Responses of BAT(K) LTD to Current Environmental Challenges** Unpublished MBA Project, University of Nairobi.

Njau, G.M 2002, **Strategic Responses By Firms Facing Changed Competitive Conditions; The Case Study Of East African Breweries Limited**. Unpublished MBA Project, University of Nairobi.

Nitin N, Joyce W and Robertson B (2003), What Really Works, **(Harvard Business Review),** July.

O'Brien James A.2002 **Management Information Systems. Managing Information Technology in the Internetworked Enterprise**. Golgotia Publishers Printers Limited New Delhi

Ohaga Okoko.C (2004) **The Strategic Responses Of Commercial Banks To Changes in Their Environment.** Unpublished MBA Project, University of Nairobi

Pearce J and Robinson R. (2003), **Strategic Management: Formulation and Implementation.** Eighth Edition. Irwin/McGraw-Hill, New York.

Porter, M 1985, Competitive Advantage, **Creating And Sustaining Superior Performance,** New York, Free Press

Quinn, J.B 1980, **Strategies For Change**: Logical Incrementation. Homewood, Illinois Irwin.

Senge P: 2003, **The Dance of Change: The Challenges Of Sustainability Momentum In Learning Organization.** Nicholas Bradley Publishing, London

Wairegi B I, 2004, **The Strategic Response By Life Insurance Companies In Kenya To Changes In Their Environment.** Unpublished MBA Project, University of Nairobi.

Appendix 1

LETTER OF INTRODUCTION.

1st September 05

Dear Respondent,

This questionnaire is intended to gather information on responses The Kenya Power and Lighting Company Limited has affected as result of the environmental changes.

This study is being carried out for a management project paper as a requirement in partial fulfillment of the degree of Master in Business Administration, University of Nairobi.

Your response will be treated strictly confidential and in no instance will your name be mentioned in he report.

Your cooperation will highly appreciated.

Yours sincerely

Maina Irene

Student

Prof. E Aosa

Supervisor

Appendix 11

QUESTIONNAIRE

Please answer the following questions

A. COMPANY DATA

1) What is the size of the company in terms of turnover?

2) How many employees does the company have currently?

Permanent..............

On Contract..................

3) How long have you worked in the company

B. GENERAL ISSUES- MANAGING DIRECTOR

4) Has the structure changed within the last 10 years and if yes, what could be the main causes of these changes?

5) What are the challenges, in order of importance, facing KPLC after separation with KenGen?

6) Can you explain in detail how you have responded to this challenges identified

7) Are there some challenges that you have not responded to? Why?

8) What are you intending to do in the future about the challenges that you have not responded to?

9) How do you assess the response of the company now?

10) How aggressive is the Company's behavior in response to the challenge?

11) What areas have improved in the company?

12) Does the company have standardized performance measures for each department

C. TECHNOLOGY- CHIEF MANAGER, IT & TELECOMMUNICATION

13) What new technology has been adopted in the company within the last few years?

14) What are the challenges the company is facing due the rapid change ion technology?

15) How can you rate the company in terms of modernization? Is it at per with the market?

D. MARKETING AND CUSTOMER SERVICE.

CHIEF MANAGER, DISTRIBUTION AND CUSTOMER SERVICE.

16) What strategies are you using to market your product?

17) Do you encounter any competition? If yes in what form?

18) What service quality measures do you have in place?

E. FINANCIAL – CHIEF MANAGER, FINANCE

19) What are the challenges facing the company in relation to sources of funds.

20) How have you responded to the challenges mentioned above?

F. PLANNING AND STRATEGY. CHIEF MANAGER, CORPORATE PLANNING AND STRATEGY

21) What is the Company's mission Statement?

22) Has it changed with within the last few years? If so, why?

23) What are goals of the Company? How have changed for the last few years?

24) What are objectives of the company? How have they changed?

25) Does the company have strategic plans and when were they developed?

26) Is there an instance when the plans and the goals have been achieved? If not, why?

27) Does management communicate the strategic plans effectively?

28) What are the challenges you have faced and how have you responded to them?

G. HUMAN RESOURCES - CHIEF MANAGER HUMAN RESOURCES AND ADMINISTRATION

29) Have you declared staff redundancies? If so, why?

30) Any staff hiring freezes? If so why?

31) What are your policies on staff development?

32) Have you changed the company structure? If, when and why?

How do you enhance corporate culture?