

RESPONSES BY CLEARING AND FORWARDING FIRMS IN MOMBASA TO

CHANGES IN THE EXTERNAL ENVIRONMENT

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DECLARATION

This research project is my original work and has not been presented for a degree course in this, or any other University.



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DEDICATION

to my parents for their love and encouragement, my family members especially my lovely wife Rose who spent lonely moments during the duration of my study and to my little and wonderful children Collins and Connie who missed quality time of play and guidance from me as I pursued this course.

\CKNO\Vi J-IKJKMENTS

First and foremost, I give thanks and glory to my God for the gift of life and good health and for giving me the vigour and strength during the entire course

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ABSTRACT

The objective of the study was to determine how the changes in the environment have affected the clearing and forwarding industry and to identify the strategic and operational responses adopted by the firms to counter the changes.

50 companies were targeted for the study using the stratified sampling technique where the companies were classified into three categories-the multinationals, companies that do in-house customs clearance and other local companies. A structured questionnaire was administered to senior managers of the selected companies through a "drop and pick" method with telephone follow ups.

Out of the targeted companies, 32 companies responded which represented a 64% response rate. The response rate among multinationals was 58%, local companies 71.4% and those which do in-house customs documentation. The response rate was largely influenced by restrictive company communication policies, confidentiality concerns and time constraints for the senior managers who were the target respondents.

The questionnaire was structured in three sections. Section 1 sought to obtain general information about the firms; Section 2 sought to determine using a 5-point Likert Scale (1-no impact, 2-low impact, 3-moderate impact, 4-high impact and 5-very high impact) the impact of the external environmental forces on the firms and Section 3 seeking to determine the operational and strategic responses adopted by the firms to counter the changes in the external environment.

The data Collected was analysed for completeness and validity and the findings summarised and presented in form of frequency tables, percentages, line, bar and cone charts as well means and standard deviations in line with the objectives of the study. The study had sought to answer two key questions: How the external environmental forces had impacted on the dealing and forwarding industry and how the industry had responded to the forces.'

Using the 5-point Likert scale to assess the degree of impact with (1 no impact and 5 very high impact), the findings revealed that the impact of environmental forces on business is real and critical. Technological advancements with an impact rating of (4.4). political-legal (3.6) and economic (3.3) forces were found to pose the greatest impact in the remote environment whereas on the industry environment, suppliers' actions (3.9), competitors (4.3) and changing customer needs (4.3) added to the agony.

Being alert to the forces and their impact to business, the firms in the industry in their attempt to answer the second question have identified appropriate operational and strategic responses. Among the strategies are strategic planning which has been adopted by 77% of the respondents, customer service focus by 84%. pricing by 68% and technological innovation (48%).

It is incumbent upon firms therefore that they must continuously scan the environment to identify opportunities and threats while at the same time evaluating their organizations' resource capabilities to ensure that they exploit the opportunities and counter the threats. This way they will be best placed to craft strategies that match the appropriate environmental circumstances and thus ensure success and prosperity of their organizations

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ABBREVIATIONS

CFS-	Container Freight Station
kPA-	Kenya Ports Authority
KRA-	Kenya Revenue Authority
KUC	Kenya Railways Corporation
KIWA	Kenya International Freight and Warehousing Association
IT:	Information Technology
IFA	International Federation of Freight Forwarding Association
KAFF	Kenya Association of freight forwarders
KCFWA	Kenya Clearing, Forwarding and Warehousing Association
CCFKA	Association of Clearing, Warehousing Freight forwarders of Kenya
FKAFFA	Federation of East African Freight Forwarders Association
VAT	Value Added Tax
E-TR	Electronic Tax Register
kSAA	Kenya Ships Agents Associations
kTA	Kenya Transport Association
kAM	Kenya Association of Manufacturers
KFHS	Kenya Bureau of Standards
kKIMHS	Kenya Plant Health Inspectorate Services
NARC	National Alliance Rainbow Coalition
KACFC	East African Customs Freight Forwarding Practicing Certificate
ICT	Information and Communications Technology
NVOCC	Non-Vessel Operating Common Carrier
GDP	Gross Domestic Product
KWATOS	Kilindini Waterfront System

CHAPTER I: INTRODUCTION

I.1 Introduction

I.1.1 Organizations and Environment

Organizations do not exist in a vacuum but interact with their environment (Rosen, 1955). In their immediate external environment are competitors, suppliers, government agencies and customers whose preferences often shift inexplicably. On the remote environment are economic and social conditions coupled with political and technological developments which must be anticipated, monitored, and assessed (Pfeffer and Robinson 2005). Their interaction with the environment is two-way whereby they take an assortment of resources from it, add value to them and deliver back to the same environment in form of goods and services (Ansoff and McDonnell, 1990).

Successful environment-serving organizations are open systems whereby they need to secure rewards from the environment which replenish the resources consumed in the conversion process as well as continue maintaining their social legitimacy (Ansoff and McDonnell, 1990). Some organizations have failed to see external forces as an opportunity, and have instead: ignored or resisted them until it is too late. As a result, their strategies, structures, systems and organizational cultures have grown increasingly obsolete and dysfunctional (Roller, 2003). This has posed challenges to the organizations' management by provoking a response in the environment which must be dealt with.

As business environments become more complex, more competitive, and less predictable, survival requires that companies perform at a higher level with a broader repertoire of capabilities. Building multiple capabilities and achieving excellence across multiple

performance dimensions requires managing dilemmas that cannot be resolved as simple tradeoffs. A company must be efficient today, while also adapting for tomorrow; it must produce at low cost while also innovating; it must deploy the massed resources of large corporation, while showing the entrepreneurial flair of a small start-up; it must achieve higher levels of reliability and consistency, while also being flexible in adapting to change (Grant, 2005).

The external environment is dynamic and keeps on changing each time posing new challenges in form of new opportunities and threats. The combined measure of changeability and predictability of the firm's external environment requires that the firm responds appropriately to avoid a mismatch which may lead to failure. Indeed as the organization's environment changes, the firm should continuously adapt its activities and internal configurations to reflect the new external situation. Failure to do so endangers the future success of the organization (Aosa, 1988). Successful firms therefore continuously re-assess the competitive factors in its industry which will bring future success. Whenever the historical success strategies do not match the future success factors, the firm either develops new strategies or leaves the industry (Ansolt and McDonnell 1990)

According to Kotler (1994), external environmental trends and mega-trends merit closer attention since they represent large political, economic, social and technological changes which are slow to form and once in place influence firms for a long time to come. To succeed, most firms have chosen to recognize and respond to the resultant unmet needs and trends, to ensure growth and profitability of the firm, executives employ management processes that they feel will position it optimally in its competitive environment by maximizing the anticipation of environmental changes and of unexpected internal and

competitive demands thus resorting to the process of strategic management. According to David (2005), external trends and events significantly affect all products, services, markets and organisations in the world. They have affected the types of products developed, the nature of positioning and market segmentation strategies, the type of services offered and the choice of business to acquire or sell. Identifying and evaluating external opportunities and threats thus enables organizations to develop a clear mission to design strategies to achieve long term objectives and develop policies to achieve annual objectives

the society is complex and multifaceted and requires appropriately complex, multilayered and aggressive response strategies. As a result, management must approach its societal challenges with the same foresight and in the same methodical and deliberate way in which it approaches its commercial challenges (Ansoff and McDonnell 1990). Some firms are reviewing their core competencies, selling company divisions and outsourcing processes while others are re-organizing their internal structures and processes to better meet the changing market realities (Linderhill, 1990).

1.1.2 The Clearing and Forwarding Industry

The clearing and forwarding industry has a rich history. It has evolved over time. It started as an industry where entry was free for all and sundry. There were no restrictions imposed on licensing their operations. Those who retired from formal employment found engaging in clearing and forwarding business as a part-time trade and so were the unemployed particularly those in major towns like Nairobi, Mombasa, Eldoret, Kisumu and border stations at Malaba, Isiaba and Busia.

The clearing and forwarding industry has a size and fit for everybody. Small, medium and large si/c firms abound. Most small firms commonly referred to as brief-case agents have no office abode. They specialize mostly in providing clearing and forwarding services mostly to individuals who import second-hand motor vehicles as well as those with less than container loads of household effects imported from Dubai among other origins. Mostly the importers make payments direct!) to the relevant authorities like the Customs services department, the Kenya Ports Authority, shipping lines among others. The brief-case agent is remunerated with a small fee for providing documentation services through the entire documentation chain where various government agencies are involved.

The medium and big firms offer a multiplicity of services which include customs documentation, warehousing. Container freight Station operations, supply chain management, transport logistics, airfreight, removals and freight, cold storage, bonded warehouse services, and multi-modal logistics solutions. Most of these firms own long-haul trucks, warehouses. Container freight stations, sophisticated Information Technology hardware and software and thus most of the time offer total logistics solutions to their customers through practicing a one-stop logistics shop concept.

The operations of clearing and forwarding firms is licensed and regulated by the Kenya Revenue Authority under the Customs services department. There are certain minimum requirements that a firm must comply with to get approval for licensing or have the existing license renewed. These include- membership to KII-'WA. obtaining a certificate of good conduct for directors, a recommendation letter by a firm's bankers, clearance by the Domestic taxes department in relation to income tax and Value Added tax returns among others (www.kra.go.ke)

The Umbrella body for all clearing and forwarding agents is an association called Kenya International Freight and Warehousing Association (KIFWA). KIFWA is an affiliate member of FIATA (International Federation of Freight Forwarders Association). It is also a member of the Federation of East African Freight Forwarders Association (FEAFFA) which brings together forwarders from Uganda, Tanzania, Kenya, Rwanda and Burundi. KIFWA was formed in 1988 following the merger of two parallel Associations which were in existence then namely the Kenya Clearing, Forwarding and Warehousing Association (KCFWA) and Kenya Association of Freight Forwarders (KAFWA). KIFWA certificate of registration. KCFWA used to represent the large and medium size players in the industry whereas KAFWA catered for the small players most of whom were briefcase agents. The latter were the majority.

The merger was not smooth and shortly after, the smaller agents broke away from KIFWA and formed another Association called Association of Clearing, Warehousing Freight Forwarders of Kenya (ACWFF). The two Associations operated parallel until the year 2005 when they agreed to merge following the intervention of the Commissioner of Customs Services. The merger retained the name KIFWA. Despite this, there has been friction within the industry since the small players feel that the KIFWA leadership is partisan asserting that it promotes the interests of the medium and large M/C firms to their detriment.

The number of firms that have been registered as clearing and forwarding firms are upwards in the region of 1500 firms. However those who registered and gained membership of KIFWA are 1200 firms nationally with 657 of them based in Mombasa (KIFWA register, July 2007). It should however be noted that the registered offices of most of these agents is Nairobi but the main operations are based in Mombasa.

Statistics obtained from KRA indicated that as at June 2007, the number of firms which had been licensed by the customs services department was 82-1 nationally. During the same period, another slightly more than 50 firms had their licences suspended due to their failure to comply with certain customs requirements like delay in accounting for and cancelling transit bonds among others (www.kra.go.ke) The number of licensed firms is a very big number when compared to a strong economy like Malaysia where there are only 237 registered freight forwarders

Table 1: The Number of registered clearing and forwarding firms in Kenya over the last 5 years

Year	Registered firms
2000	249
2001	216
2002	220
2003	202
2004	201
2005	598
2006	613
2007	657

Source: Courtesy of KRA

The last ten years has seen the Clearing and forwarding industry undergo a lot of radical changes. It has evolved from an industry characterised by diversion of transit cargo, tax

evasion and avoidance. theft of cargo at the port of Mombasa by some unscrupulous and corrupt agents among other evils to an industry that is swiftly getting professional and ethical in its activities. The past has given the industry a tag of "thieves" thus inviting a lot of regulation and close supervision by the government regulatory agencies.

Five years ago, the documentation process involved agents having to secure up to 14 stamps on a customs entry before a container could be delivered out of the port. It required endorsements from various government security agencies like the regular police, anti-terrorist squad, anti-narcotics, Kenya ports authority security, Kilindini port health, customs officers both at Customs house and Kilindini offices and KIPHA among others. All these interventions caused delays in the clearance process thus causing congestion at the port of Mombasa. The consequences were cargo pilferages, double handling of containers by KPA through a lot of shifting to create space for containers discharged from vessels, delay in ship turn-around causing levying of vessel delay surcharges not to mention the frustrations caused to the clearing agents and their customers (Importers) through delays in clearance process and the resultant storage, demurrage and detention charges.

Arising from the above, key stakeholders convened consultative meetings which brought together the customs officers, government security teams, the Ports Authority, Kenya Railways Corporation, KIPHA, The Kenya Ships Agents Association (KSAA), Kenya Transport Association (KTA), and Kenya Association of Manufacturers (KAM) among others to discuss ways of making the clearance process faster and efficient. These stakeholder meetings yielded several fruits among them the reduction of the number of stamps endorsed on customs entries from 14 to 4, as well as the establishment of a one-stop centre which

brought all key stakeholders together at one point. This has reduced clearance time drastically and minimized extortions

Despite all these strides made, challenges to the industry still abound. With increased volumes of business through the port of Mombasa into Kenya and to the land-locked countries of Uganda, Rwanda, Southern Sudan and Eastern Democratic Republic of Congo, the capacity of Kenya Ports Authority container terminal to handle the traffic has been overstretched in some cases resulting in congestion. To this end, the K.P.A. last year, 2007, licensed two (2) L.F.S operators to handle part of its local imports traffic with a view to decongesting the container terminal. It further implemented a new tariff structure with effect from March, 2008, which is punitive to those who delay the customs documentation process of their shipments by imposing stiff penalties and levies after the free period offered.

The K.P.A. has also introduced a new electronic documentation system called Kilindini Waterfront System (KWATOS) in its quest to run paperless operations at the port. As such, through a circular in the print media. (The Daily Nation June, 2008), it has put the clearing and forwarding agents on notice that with effect from July, 2008, all clearance documents for cargo released through the port must be lodged electronically through the site; www.kwatos.co.ke. A pre-condition for accessing the site is the requirement for a user name and password which can only be obtained upon a clearing and forwarding agent having undergone and passing a training course conducted by the authority. A small fee has also been charged the agents as well.

On the other hand, the customs department through its Customs Reform and Modernisation Programme introduced an online internet based customs documentation system called SIMHA. To access the system required a company to have a unique password and the pre-

condition to getting the password was a mandatory training at the KRA training centre at a small fee. The small forwarders had difficulties complying with this requirement and with the requirement to also acquire electronic Registers, some closed shop

There have also been changes involving the clearance of transit goods where some Insurance companies and Commercial banks have been blacklisted and thus not allowed to guarantee bonds for clearing and forwarding agents. The consequences of this have been increased premium costs, demand for collateral securities: imposition of very stringent due diligence compliance conditions among them submission of up to five years audited financial statements. This has worked to the detriment of the small and medium sized companies. Indeed transit cargo clearance is now the preserve of the big agents.

Other changes that have been introduced by the Kenya Revenue Authority include: the centralisation of bond cancellations in Nairobi, and the introduction of an East African Customs Freight forwarding Practising Certificate Course (EAC'FFPC). The course is a regional training programme developed by the Federation of East Africa Freight Forwarders Associations (FAFFA) and the East African Revenue Authorities. It is aimed at professionalizing the freight forwarding industry. The certificate attained will allow holders to work or operate in the freight forwarding industry in five countries in the region namely Kenya, Uganda, Tanzania, Rwanda and Burundi. It is intended that by end 2007, at least one director or senior manager of a freight forwarding firm should have attended the course failure which the trading licence for 2010 will not be renewed (KIFW circular NO.8, April 2007).

Customer needs have also changed where demand for a total logistics package from their freight forwarders is now the norm. This includes provision of trucking services, warehousing where applicable, customs house brokerage, freight management and even courier services for documents despatched to consignees or notified parties. This has enabled the customers to focus on their core businesses. Those firms which are unable to meet these requirements are sinking into irrelevance. KII WA is also working on a code of conduct and ethics to govern the operations of the industry as well as attempt to set a minimum agency fee that all players will charge for their services and thus avoid the current unstructured pricing

1.2 Statement of the Problem

All companies operate in a dynamic and turbulent environment where external forces beyond their control are at play. There have been changes in technological advancements, general economic conditions, government legislation and regulations, population demographics, and societal values and lifestyles which have had the effect of influencing decisions that company management make about the direction of the company, its objectives and strategy. It follows, therefore, that as managers scan the external environment, they must be alert to external developments, assess their impact and adapt the company's direction and strategy as needed else they ignore them and risk sinking into irrelevance (Thomson et al. 2007). Clearing and forwarding firms are no exception

The government has introduced sweeping and radical changes in its tax administration programs which has seen the introduction of Electronic Tax Registers, the declaration and registration of customs entries electronically, modification of annual returns to include landlord details, the meting of stiff penalties on tax defaulters and evaders and introduction of

new procedures and rules on the execution and cancellation of bonds. The clearing and forwarding firms have been in the center of all these changes by virtue of not only being importers but also tax collection agents. The KPA on its part has introduced the KWATOS system which coupled with the customs SIMBA system aims to eliminate human traffic at the port a scenario that may encourage importers to do their own customs documentation thus posing the risk of rendering the clearing and forwarding agents irrelevant

Just as strategy links an organization with its external environment, the clearing and forwarding agents link the Customs Services departments with the importers/exporters who are the tax payers, to the customs department, they are a bridge to the goose that lays the golden egg. To this end, they play a very unique, central and critical role in the success or failure of the Kenya customs services department in meeting its revenue collection targets and by extension the growth and development of the Kenyan economy.

Several studies have been conducted on organizational responses to the external environment among them; the dairy industry (Hem. 1995). Petroleum firms in Kenya (Chcpkwony. 2001). Aviation industry in Kenya (Ihiga. 2002). Health Insurance Sector (Arasa. 2002). Commercial Banks in Kenya (Ohaga. 2004) and Mortgage industry in Kenya (Nkiroti. 2004). The findings from these studies cannot be applied to the clearing and forwarding industry in view of its uniqueness. The industry has a large number of players (over 1500 firms), its structure is varied (from sole proprietorship to multinationals), lacks a code of ethics, suffers enormous regulation and the need to introduce and inject professionalism in the conduct of its affairs

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The only study conducted so far on the freight forwarding industry was on industry attractiveness using Porter's five forces- modified by Oluoch (2003). The findings of the study notwithstanding, the trends and mega-trends in remote environment significant!) atTcct the industry hence the need to conduct a sc|urute study. the findings »»l which will provide an invaluable piece of information to the various stakeholders which include the government, industry regulators, existing firms and potential entrants, consultants and researchers among others.

The study thereleve seeks to answer the following questions: How have the external environmental forces impacted on the clearing and forwarding industry? How has the industry responded to these forces?

1.3 Objectives of the Study

- i. To determine how the changes in the environment have affected the clearing and forwarding firms
- ii. To identify the strategic responses adopted by the firms to the changes,
- iii. To identify the operational responses adopted by the firms to the changes

1.4 Significance of the Study

The Clearing and Forwarding industry is a very critical and rapidly growing industry and its study is of very significant importance in various stakeholder groups

To the Government, the firms act as tax collection agents for the Kenya Revenue Authority which is a government agency and therefore the study will be useful in its regulatory role.

To the exporters and importers, the clearing and forwarding firms act as intermediaries between them and the Kenya Revenue Authority and thus keen to understand the operations of the firms,

For new entrants to the industry, the study will be useful in understanding the dynamics of operations of the firms and how they interact with the external environment with a view to assessing and taking decisions whether to enter the industry or not.

To the existing firms, the study will be useful in that the results will help them know the external challenges facing them and how to respond accordingly.

It will also act as a fertile ground for future researchers in conducting further research in the industry on unexplored areas.

To the Consultants, the results of the study will provide insights into the operations of the industry and thus provide invaluable information to them in providing advisory services and crafting appropriate strategies for industry players.

2.1 Introduction

This chapter reviews literature on the impact of environmental changes on clearing and forwarding firms and how the firms have responded to the changes, the concept of strategy, the nature of strategic management, the external environment with much emphasis on the remote environmental forces (political-legal, economic, socio-cultural, technological and ecological) as well as the strategic and operational responses by firms is looked at

2.2 The concept of Strategy

Like many other concepts in the field of management, there are many approaches to strategy but none are universally accepted (Stacey, 2003). Indeed even Ansoff and McDonnell (1987) who are pioneers of business strategy warned that strategy is an elusive and somewhat abstract concept.

"The term strategy derives from the Greek word *Strategia*, meaning "generalship", itself formed from *stratos*, meaning "army", and *agos*, to lead. However the concept of strategy did not originate with the Greeks. Sun Tzu's classic *The art of war*, written about 500 BC, is regarded as the first treatise on strategy" (Grant, 2005:14),

Strategy is a dynamic concept. It began with the military and it is believed to have been applied to the business world in the nineteenth century though the actual process is untraceable (Chandler 1962) put forward the view that the emergence of strategy in civilian

organisational life resulted from an awareness of the opportunities and needs created by a changing population, income and technology -to employ existing or expanding resources more profitably" (Burns. 2004: 2117). Different writers have defined strategy in different forms. However, the thrust of the concept remains the same. It is about winning the battle in the business environment. Indeed, strategy need not exist as a plan nor even made explicit as long as there is a consistency of direction on a clear understanding of the "game" being played and a keen awareness of how to manoeuvre into a position of advantage (Grant. 2005).

Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations (Johnson et al 2005) it guides organizations in making decisions on how to position themselves effectively in relation to their competitors so as to achieve advantage as well as taking decisions on defining product/service range and geographical coverage. The key and central thrust of strategy is to achieve a long term sustainable advantage over the key competitors of the firm in every business in which it participates. Ansoff and McDonnell. (1990) define strategy as a set of decision making rules that guide organizational behavior and sets the general direction in which the firm's position will grow and develop. According to Porter (1985), the essence of formulating competitive strategy is relating a company to its environment and thus aims to give direction and purpose, to deploy resources in the most effective manner and to coordinate decisions made by different individuals.

fundamental to the view that strategy is the link between the firm and its external environment is the notion of strategic fit. It must be consistent with the characteristics of the external environment and the characteristics of its internal environment-goals and values

resources and its capabilities structure and its systems for it to be viewed as successful (Grant, 2005). It therefore focuses on matching the resources and activities of an organization to the environment in which it operates (Johnson et al. 2005). There is thus a need to develop strategy by identifying opportunities in the business environment and adapting the resources and competencies in the organization to be able to exploit the opportunities.

Strategy is an action plan by management of an organization to grow its business, attract and achieve customer delight, compete successfully, conduct operations and improve its financial and market performance. It is a game plan employed by management that combines competitive and operating approaches to move the organization in its intended direction, to strengthen its market position and competitiveness and boost performance (Thomson et al. 2007). Strategy therefore needs to be seen not only in the context of organizations' existing resource capability to suit opportunities but also the need to consider the extent to which resources can be obtained and controlled to develop a strategy for the future. According to Quinn (1980), strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. When well-formulated, strategy helps an organization to marshal and allocate its resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment and contingent means by intelligent opponents.

Max and Majluf (1996) view strategy as a multi-dimensional concept that embraces all the critical activities of the firm, providing it with a sense of unity, a direction and purpose, as well as facilitating the necessary changes induced by its environment. Strategy is thus needed to obtain a viable match between the external environment and internal capabilities of an organization. It goes beyond just passively responding to the opportunities and threats

presented by the external environment to continuously and actively adapting the organization to meet the demands of a changing environment. Andrews (1971) defines strategy as a pattern of objectives, purposes, or goals and the major policies and plans for achieving these goals, stated in such a way as to define what business is in or is to be in and the kind of company it is or is to be. To Ohmac (1983), strategy is about competitive advantage. It enables a company to gain, as effectively as possible a sustainable edge over its competitors. Pearce and Robinson (2005) on their part, see strategy as management's large-scale, future-oriented plans for interacting with the competitive environment to achieve company objectives.

"No longer is strategy purely about the external world, no longer is it solely seen as a rational, quantitative process. Neither is it any longer seen as a process that is geared towards predicting the future, but instead it seeks to shape or create the future (Joyce and \<tods. 21)01). Indeed, writers and practitioners from different backgrounds and countries, such as Hamcl and Prahalad (1994), Mint/berg et al (1986), Ohmac (1986) and Stacey (2001), have argued that it is not a process at all, but the outcome of a process: an outcome that is shaped not by mathematical models but by human creativity" (Burnes, 2004: 2281).

Strategy exist at three levels in an organization: corporate, business and functional. Corporate-level strategy concerns the overall purpose and direction of an organization and how value will be added to the different parts of the organization (Thomson et al 2007). It thus focuses on organizational effectiveness. Koch (2001), however, viewed corporate strategy in general, and in aggregate as a snare and a delusion due to the fact that it sometimes destroys more value than it creates. Business level strategy on the other hand is concerned with how a firm competes within a particular industry or market (Birunt, 2005). Its

main focus also in achievement of effectiveness functional level strategies are concerned with how the component parts of an organization deliver effectively the corporate- and business level strategies in terms of resources, processes and people (Johnson et al. 2005). Its prime focus is to achieve efficiency in the use of organizational resources.

2.3 Strategic Management

Adapting an organization to its environment is an essential aspect of strategic management (Rosen, 1995) According to Robbins and Coulter (2003), strategic management is a set of managerial decisions and actions that determine the long term performance of an organization by attempting to exploit and create new and different opportunities for tomorrow'. It thus addresses environmental complexities that arise out of ambiguous and non-routine situations with organizational-wide rather than operation-specific implications (Johnson et al. 2007). As an activity, it tries to establish objectives and goals for the organization and maintain a set of relationships with it and the environment which enable it pursue its objectives', which are consistent with organizational capabilities and continue to be responsive to environmental demands (Ansoll and McDonnell 1998).

The scope of environmental influence on organizations is wide. It can be local, national, regional or even global. Each situation poses different challenges forcing firms to adjust accordingly by adapting to the changed environment. As such, the forces may force an organization to initiate a managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy and then overtime initiating whatever corrective adjustments in the vision, objectives, strategy and execution that are deemed appropriate (Johnson and Strickland 2003).

Managers of organizations need to continuously assess the business and the industries in which the company is involved (Lamb, 1984). To this end, they need to assess their competitors and set goals and strategies to meet all existing and potential competitors; and then reassesses each strategy regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment. Business organizations must formulate, implement and evaluate business strategies to achieve future objectives. This calls for managing the present posture and future of the organization, developing superior strategy and the competent implementation of the same.

In order for organizations to remain competitive in the long term, they are compelled to undertake complex changes with increasing speed, efficiency and success. In fact an enquiry among 100 top managers of German companies indicated that the speed, frequency and intensity of changes in the business environment will continue in the coming years. At the same time, however, it will become increasingly difficult to foresee environmental changes (Heifer et al. 2005)

According to Aosa (1992), a mismatch between the environment and the organization that is brought about by failure to respond to changes in the environment creates a strategic problem which must be addressed. They must therefore relate effectively with the environment for success by tailoring their strategies to the requirements of its market environment and to the strengths and weaknesses of its resources and capabilities. In some cases, organizations may be forced to formulate, implement and evaluate cross-functional decisions that enable it to achieve its objectives by integrating management and other various functions of the

organization like marketing, finance. Research and Development and computer information systems to achieve organizational success (David 2005). This will call for understanding the strategic position of the organization, its strategic choices for the future and translating strategy into action by ensuring that they are working in practice (Johnson and Scholcs. 2005).

2.4 Organizations and the environment

A host of external actors influence a firm's choice of direction and action and ultimately its organizational structure and internal processes. These factors are visible and felt in the organization's remote, industry and operating environments (Pearce and Robinson 2005).

2.4.1 Remote Environment

The remote external environment of a firm comprises the whole range of political-legal, economic, socio-cultural, technological and ecological forces that influence a firm's decisions and its performance (Grant, 2005). These forces present opportunities, threats and constraints to the firm in the industry (Pearce and Robinson 2005).

2.4.1.1 Political-Legal forces

On the political-legal front, the increasing global interdependence among economies, markets, governments and organizations make it imperative that firms consider the possible impact of political and legal variables on the formulation and implementation of competitive strategies. It is no wonder that strategists today are spending more time anticipating and

influencing public policy actions (David, 2005). A government can limit or even foreclose entry into industries through licensing, access to raw materials, controls on air and water pollution as well as product quality and efficacy regulations (Porter, 1998).

2.4.1.2 Economic Forces

firms can also be affected by economic factors dictated by the nature and direction of the economy in which a firm operates. Of critical importance are interest rates, inflation rates, the growth of the Gross Domestic/National product, consumption patterns, unemployment trends, exchange rates, stock market trends, fiscal and monetary policies, and worker productivity, the existence of economic blocs like the Common Market for East and Southern Africa (COMESA) states, East African Community, and Preferential Trade Area among others. These economic forces affect the purchasing power of people which is dependant on the current incomes, prices, savings, debt and credit availability (Kotler, 2008).

2.4.1.3 Socio-cultural forces

Examination of case situations and related research and theoretical literature has revealed that cultural artifacts play a critical role in changing organizational behaviour to match a change in organizational strategy (Higgins et al. 2006). No business can ignore society and survive. Society shapes beliefs, values and norms. There is need to translate social change into forecasts of business effects. The effects of geographic shifts in populations and changing work values, ethical standards and religious orientation can only help a strategizing firm in its attempts to prosper (Pearce & Robinson 2005). In fact there has been pressure for companies to broaden their responsibilities to include the interests of the local communities, and the

natural environment. These initiatives have ended up being routes to innovation, growth and ultimately shareholder value rather than being a cost to the corporation. In Kenya, this is largely practiced by major corporations like Safaricom, Magadi Soda Company Ltd, Kenya Airways Ltd and Total Kenya Ltd and Kenya Ports Authority among others.

Organizational ecologies have emphasized the role of legitimacy in organizational survival. Others have argued for compatibility of the interests of companies and the interests of society and stressed that the goal of value creation extends well beyond the shareholder value (Grant, 2005). In the developed world, expectations concerning the societal roles have had important implications for the relationship between employees and their employers. Previously employment was primarily a source of economic security and material reward. In the advanced industrial economies, individuals are looking beyond financial gain to seek identity, fellowship and meaning. This has an effect on human resource management, strategy, the role of management and corporate identity.

Ingled et al. (11) views culture as values, ideas, artifacts and other meaningful symbols that help individuals communicate, interpret and evaluate as members of society. It does provide a set of norms and shared beliefs that mould and shape what people do, both individually and corporately. The values determine which products and services are appropriate, the ways in which they will be used and the connotations given to advertising and brand names. Organizations can only ignore this and perish

2.4.1.4 Technological forces

One single most critical factor that has affected most businesses significantly is technology. The pace of technological change is increasing and literally wiping out businesses every day. Revolutionary technological changes and discoveries are having a dramatic impact on organizations by affecting the organization's products, services, markets, suppliers, distributors, competitors, customers, manufacturing processes, marketing practices and competitive position. It can create new markets, result in a proliferation of new and improved products, change the relative competitive cost positions in an industry and render existing products and services obsolete (David, 2005).

Technological changes too can reduce or eliminate cost barriers between businesses, create shorter production runs, create shortages in technical skills and result in changing values and expectations of employees, managers and customers. Technological advancements thus create new competitive advantage. According to Porter (1985), technological change is a principle driver of competition. It can erode the competitive advantage of even a well-entrenched firm and propel others ahead. It can thus affect and influence competitive advantage and industry structure, technological developments can raise or lower scale economies, make interrelationships possible where they were not before, create the opportunity for advantages in timing, and influence nearly any of the other drivers of cost or differentiation.

The internet is acting as a national and even global engine that is spurring productivity. It is saving companies millions of shillings in distribution and transaction costs from direct sales to self-service systems. It is changing the very nature of opportunities and threats by altering

product life cycles, increasing the speed of distribution, creating new products and services, erasing limitations of traditional geographic markets and changing the historical trade-off between production standardization and flexibility. It is altering economies of scale, changing entry barriers, redefining the relationship between industries and various suppliers, creditors, customers and competitors (David. 2005). Indeed this is what is causing turbulence in the freight forwarding industry

According to Grant (2005), the potential for digital technologies to generate continuing productivity gains and revolutionize manufacturing and service industries appear undiminished. The potential for information and communications technologies to transform administrative and decision making processes within companies remains huge. Most companies are targeting paperless processes and real-time decision making. Accelerating technological change has been a major source of unpredictability in the business environment. As a result, the recognition of the strategic importance of technology is growing. Chief Executive Officers who once accepted Research & Development in faith are no longer willing to let the technological tail go on wagging the corporate dog. To some managers Research & Development has become an ungovernable monster which must be harnessed (Ansoff & McDonnell. IWO)

Indeed experience has shown that when new technology is totally different from the old, firms frequently abandon the industry in which they were the original leaders, transition to new technology is difficult not only financially but also culturally and politically because it challenges the historical success model held by both technologists and influential managers and also threatens their position of power and influence in the firm. Today any historically

stable industry can be changed overnight into a turbulent one by an intrusion of an alien technology which is the case now for the clearing and forwarding industry.

2.4.1.5 Ideological forces*

Integrating environmental and business goals remains elusive. Business organisations, large and small, are wrestling with the pressures of environmental performance (Kolluru. 1993). In fact whole new ways of manufacturing and managing natural resources are emerging to accommodate environmental requirements, to this end. companies, their employees and especially managers, are faced with enormous practical and conceptual challenge of transforming today's organizations into economically and environmentally sustainable enterprises (L'ost & Altman. 1994).

This has forced companies to put protection of the ecology as a top strategic priority partly out of choice and partly because the government and the general public require them to do so. Indeed they have been forced to set priorities, develop corporate standards, control property acquisitions and use to preserve habitats, implement energy-conserving activities and to re-design products (Pearce & Robinson. 2005).

2.4.2 Industry environment

The concept of industry environment was propelled in the foreground of strategic thought and business planning by Harvard Professor Michael Porter (Pearce and Robinson 2005). According to Porter (1979), the nature and degree of competition in an industry is influenced by five key forces which include: the threat of new entrants, the bargaining power of

customers, the bargaining power of suppliers, the threat of substitute products or services and the jockeying among existing competitors. For success, firms need to understand how the forces work in the industry and how they affect the company in its particular situation.

The essence of strategy formulation is coping with competition. Customers, suppliers, potential entrants, and substitute products are all competitors that may be more or less prominent or active depending on the industry. The collective strength of these forces determines the ultimate profit potential of the industry. Knowledge of these forces therefore provides the groundwork for a strategic agenda of action. They highlight the critical strengths and weaknesses of the firm, animate the positioning of the firm in its industry, clarify the areas where strategic changes may yield the greatest payoff, and highlight the places where industry trends promise to hold the greatest significance as either opportunities or threats (Pearce and Robinson 2005).

2.4.J Operating Environment

The operating environment comprises factors in the competitive situation that affect a firm's success in acquiring needed resources or in profitably marketing its goods and services. The factors include the firm's competitive position, the composition of its customers, its reputation among suppliers and creditors and its ability to attract capable employees (Pearce and Robinson 2005).

This environment is within the firm's influence or control. The success or failure of organizations is concerned with how well they understand customer needs and are able to meet those needs. Organizations must therefore understand what different customer groups' needs are particularly value-critical success factors (Johnson et al. 2005).

2.4 Organizational Response*

firms prosper if the products or services that they create are wanted and their costs are contained so that a healthy profit margin is provided (Doz and Hambrick, 1998). In order to achieve this overarching aim consistently, firms seek to develop a "winning formula" for success. Winning formulae require that enabling competencies become built in each element of the firm's value chain (Iregoe and Zimmerman, 1982).

Indeed cascades of change are constantly interacting and re-shaping competitive landscapes. The pace of economic change is accelerating and competition is getting stiffer everyday. Technology change and globalization of markets have complicated matters further by raising the standards for quality, innovation, productivity and customer service. Companies are seeking excellence by focusing on those things they do best and working with others in areas where they excel (The Accountant Journal- January March 2005)

We are seeing more firms switch from competition to "co-opetition" (a new concept relating to co-operation between competitors for mutual benefit of all participants). These changing market realities are forcing companies to restructure their businesses in dramatic ways through not only fundamentally altering the way products are created but also the way businesses form and thrive. Large organizations that once grew by swallowing whole the small companies with which they worked now grow by fostering and nurturing strategic alliances (Kuglin and Block 2002)

According to Johnson, et al (2005), all companies operate in a dynamic and turbulent environment where external forces beyond their control are at play. These forces have had the effect of influencing decisions that company management make about the direction of the company, its objectives and strategy. Among others, for survival, firms must craft winning

strategies that should fit their external and internal situation, build sustainable competitive advantage and thus guarantee improved company performance. Managers must be alert to external developments, assess their impact and adapt the company's direction and strategy as needed. Some have taken an outside-inside view of their business by recognizing that the external environment is constantly presenting new opportunities and threats and thus have understood the importance of continuously monitoring and adapting to that environment (Kotler. 2003).

When the environment is relatively stable, firms have pursued a maintenance strategy where they keep the trains clean and running on time rather than adapting or changing altogether. However, in cases of more turbulent environments, the process of strategic management has become more complex and demanding and thus information systems must be sufficiently sensitive to detect change as early as possible in order to analyze the existing and probable future situation and to adapt to it timely (Rosen. 1995). Progressive firms do develop more subtle, complex and rapid systems.

Ansoff and McDonnell (1980) aver that when a firm's environment moves to a new turbulence level, the responsiveness of the firm's capability to the external stimuli must also move to a different level, to this end. there is a need to conduct a strategic diagnosis to determine the changes that have to be made to a firm's strategy and its internal capability so as to assure a firm's success in its future environment, they came up with a strategic success hypothesis which states that a firm's performance potential can be optimised when the aggressiveness of the firm's strategic behaviour matches the turbulence of its environment, the responsiveness of the firm's capability matches the aggressiveness of its strategy and that the components of the firm's capability must be supportive of one another

Strategic aggressiveness is described by the degree of discontinuity from the past of the firm's new products services, competitive environments and marketing strategies. The scale of discontinuity ranges from no change to creative change which has not been observed previously. It can also be described in terms of timeliness of introduction of the firm's new products/services relative to new products/services which have appeared on the market. Timeliness ranges from reactive to anticipatory, to innovative to creative (Ansoff and McDonnell 1990). In addition to strategic aggressiveness, the responsiveness of the firm's organizational capability must also be matched to the environmental turbulence.

Table 2: Matching triplets-aggressiveness and responsiveness with turbulence

Environmental turbulence	Repetitive Repetitive	Expanding Slow incremental	Changing last incremental	Discontinuous Discontinuous predictable	Surprising Discontinuous unpredictable
Strategic aggressiveness	Stable Based on precedents	Reactive Incremental based on experience	Anticipatory Incremental based on extrapolation	Entrepreneurial Discontinuous based on expected futures	Creative Discontinuous based on creativity
Responsiveness of capability	Custodial Suppresses change	Production Adapts to change	Marketing Seeks familiar change	Strategic Seeks new change	Flexible Seeks novel change

1 turbulence level

1 2

3

4

5

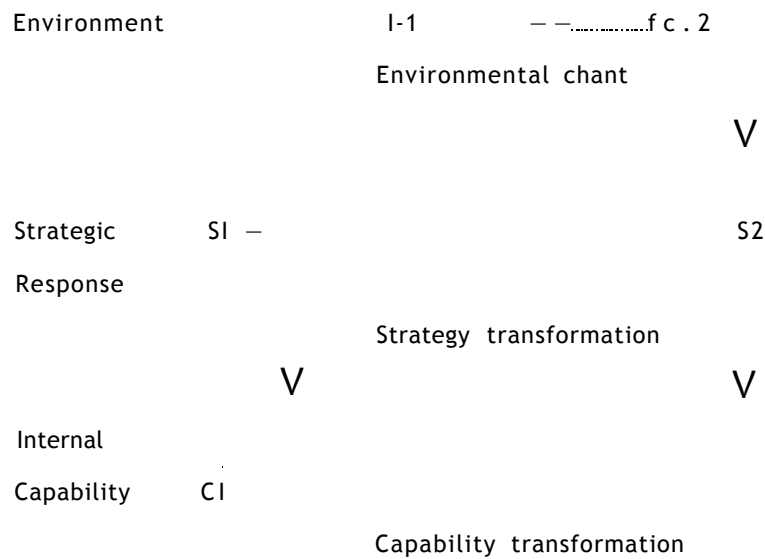
Source: (Ansoff and McDonnell, 1990:p38): *Implanting Strategic Management* (2nd edition)

From the above, it can be noted that when the environmental turbulence is discontinuous, an entrepreneurial strategic aggressiveness and strategic capability responsiveness will be required to assure success. On the other hand, where the turbulence is repetitive, a stable strategic aggressiveness and custodial capability response will be appropriate.

Empirical studies conducted to validate the strategic success hypothesis done by some students at the United States International University in San Diego, California revealed that enterprises whose aggressiveness and responsiveness were closest to the level of turbulence attained substantially better performance than those with larger gaps (Ansoff and McDonnell, 1990).

The match between the environment, strategy and capability can also be illustrated diagrammatically as below >

fig 1: Managing firm's adaptation to environment



Source: (Ansoff and McDonnell, 1990): *Implementing Strategic Management*; 2nd Edition

Where environmental turbulence is HI. it will require a strategic aggressiveness of level 1 (S1) and a capability responsiveness of (C1) to ensure a proper match thus optimize performance. When environmental turbulence shifts to 1.2. then strategic aggressiveness and capability responsiveness must change to S2 and C2 respectively, \ study by Ihiga (2004) on the strategic responses of Airlines operating in Kenya in the face of changing environmental conditions found out that the major challenges facing the aviation industry then were the aftermath of the September 11 terrorist attack in USA, worldwide economic recession, price wars among industry players and lack of capital and equipment to compete effectively, to effectively counter these forces the firms responded by restructuring their operations by building internal capabilities. adopting of co-operative rather than competitive strategies through embracing alliances and partnerships and building customer loyalty through brand pulling and route rationalization.

Where environmental turbulence is level 2 (I 2). and strategic aggressiveness is level 1 (S1) and capability responsiveness (C1), then a strategic gap will be created. On the other hand, if the environmental turbulence is level 2 (I2). strategic aggressiveness (S2) and capability responsiveness (C1), a capability gap will be created. If not addressed appropriately, then the organization will experience difficulties. It is therefore important that a firm's strategies and internal capabilities are matched with a changed turbulent environment to assure future success. This is corroborated by a study by Nkirote (2004) on the environmental challenges facing the mortgage industry in Kenya where she observed the existence of both strategic and capability gaps. Her findings in regard to the responses adapted by firms in the industry included the adoption of the marketing concept, the reduction of interest rates, staff training and development with a view to multi-skilling. restructuring and rightsizing and a change of focus from emphasis on operational excellence to trying to achieve customer delight

There are other empirical studies that have been conducted like by Ohaga (2004). where while carrying out a study of the strategic responses of commercial banks in Kenya to changes in their environment found out that firms in the industry gave prominence to environmental analysis. Their responses were both strategic and operational and involved among others the formation of strategic networks through stable inter-organizational alliances, mergers and acquisitions, technological innovation, geographic diversification, consolidation of services, introduction of new products as well as customer base diversification.

Ilerin (2004) on the other hand in his study on the responses by commercial banks operating in Kenya to changes in the environment (A case of the National Bank of Kenya) found out that the key challenges the company were the economic recession, liberalization which led to an increase in financial institutions, legislative changes through the Central Bank of Kenya amendment Act (2001) which set limits on interest rates and technological advancements. To counter these, the bank embarked on its computer systems modernization, restructuring of its operations through automation, reorganization, retrenchment and recruitment of skilled manpower, re-organization of the marketing function into retail and corporate, product diversification, cultural change and re-capitalization.

The above model therefore describes strategic management as being a function of strategic diagnosis which identifies the need for a new strategic response, strategic planning which determines the future strategic response, organizational design which plans future organizational capability and change management which implements the response and capability plans (Ansoff and McDonnell. 1990).

3.1 Introduction

This chapter provides information on the research design adopted, the population of study, sampling, data collection method used and the data analysis technique employed to analyse and organise the data.

3.2 Research Design

The research design was a survey which aimed at determining the environmental changes in the clearing and forwarding industry and identified the strategic and operational responses by the firms to the changes.

3.3 Population

The population of study was the clearing and forwarding companies in Mombasa which are members of the Kenya International Freight and Warehousing Association (KIFWA). The number of companies registered in Mombasa are 657 (KIFWA register, July 2007), the companies vary in size ranging from big multi-nationals to small brief-case agents.

3.4 Sampling Design

Since the population of study was considered large. (657 firms), the study adopted a sample design methodology. The sample size chosen took into consideration potential non-responses. Related studies have registered an average response rate of 60%. Ohaga (2004) achieved a response rate of 55%. The researcher sampled 50 companies for the study.

Given that the population of study comprised a mix of the big multinational firms to the very small briefcase agents, the researcher divided the population into three classes (Strata) which consisted of: the Multinationals, those firms which do own customs documentation and the other local companies respectively. Stratified sampling technique was therefore employed. Firms were selected at random from each stratum using the disproportionate allocation approach and combined to form one common sample.

3.5 Data Collection

Primary data was collected using structured mail questionnaires. The questionnaires were administered to senior managers of the sampled companies by way of a "drop and pick" method which is a variant of the mail questionnaire method. The researcher followed through telephone reminders. Ohaga (2004) and Kombo (1997) employed this method in related studies. The structure of the questionnaire was in three sections where section 1 covered general information about the companies; section 2 covered environmental changes that have taken place in the industry and their impact on the organization and section 3 covered responses by the respective firms to those external changes.

3.6 Data Analysis

After data was collected, it was checked for completeness and consistency. Descriptive statistics was used to organize, analyse and summarize the data. The processed data was summarized and presented in form of tables, graphs, charts, proportions and means. Nkirotc (2004) and I higa(2002) used these data analysis techniques in similar studies

OHAHTR 4: DATA ANALYSIS. FINDINGS AND DISCUSSION

4.1 Introduction

This chapter outlines and discusses the respondents' profiles and general information, the impact of the environmental changes on the firms and how they have responded to the changes. Data collected was checked for completeness, validity and consistency; analysed and presented in form of tables and summarised into frequencies, percentages, charts, graphs, mean scores and standard deviation in line with the objectives of the study.

4.2 Companies' Profiles and General information

Section I of the questionnaire sought to obtain data of a general nature from the targeted companies to help the researcher understand respondents' backgrounds, nature and scope of operations. The research findings have been summarised and discussed in table 3.

Table 3: The number of years of operation since Incorporation

Years of Operation	Frequency	Percentage (%)
<5 years	4	13
6-10 years	4	13
•10 years	24	74

Source: Research Data

Of the companies which responded, 74% have been in operation for over 10 years. 13% for less than 5 years and 13% between 6 and 10 years. So in effect a fairly large proportion of the

respondents have been operating in the industry for a fairly long period and thus their experience in the industry is significant and thus findings from the study can be inferred to the population of study.

The research findings are also significant in the sense that more than 74% of the respondents have grappled through and withstood the policy and regulatory frameworks of two government regimes. This adds more credibility and relevance to the choice of sample of studs.

Table 4: Ownership Structure

Ownership	Frequency	Percentage (%)
Fully Local	19	59
Foreign Only	6	10
Both Foreign and Local	7	22

Source: Research Data

In terms of ownership, 59% of the respondents are fully locally owned, 10% are fully foreign owned and 22% have both foreign and local ownership. The research further revealed that the companies that have both local and foreign ownership have foreign shareholders as the majority shareholders and hold senior executive positions in the companies.

The research findings further revealed that the fully foreign-owned companies are global players operating in more than 40 countries spread across all continents. This gives strategic management a global dimension.

Table 5: The geographies coverage of operations of the firms

Scope of operations	Frequency	Percentage (%)
Within Mombasa Only	2	6
Entire Kenya Only	7	
Entire Kenya and across borders	23	72

Source: Research Data

The findings from the research revealed that 72% of the respondents operate within Kenya and across the borders to the neighbouring countries of Uganda, Rwanda and Southern Sudan. 22% of the respondents restrict their operations to within Kenya only with a paltry 6% confined to Mombasa only.

It is notable that cross border (transit) operations are more profitable and have less operational hassles than local import customs clearance. This is due to the high interventions from customs authorities on local imports to safeguard against potential undervaluations leading to tax revenue leakages. As a consequence most firms are diversifying into cross-border business despite bond execution and cancellation challenges.

Table 6: Logistic Services offered by the clearing and forwarding firms

Services offered	Frequency	Percentage (%)
Customs Documentation	30	94
Warehousing	14	44
Trucking	17	53
Supply Chain Management	15	47
Consolidation De-consolidations		

Source: Uctearch Data

There are various logistics services offered by the firms with customs documentation being dominant at 94%. A further analysis revealed that customers are now demanding from their clearing and forwarding agents at the very minimum delivery of their customs* loaded cargo to their doors/premises thus forcing the agents to offer trucking services as well hence the 53% frequency level. It should be noted that about 6 years ago, the offer of supply chain management services was the preserve of multinational companies. With the changing trend in customer requirements for total logistics solutions, this service is gaining currency among other forwarders. Indeed, the research findings revealed that 47% of the responding companies offer the service.

A further revelation from the research findings is that most clearing and forwarding agents that traditionally offer customs documentation only are getting into partnerships with trucking and warehousing companies to be able to offer a total solutions package. This partnership trend has been influenced largely by the huge financial outlay required to acquire and manage own trucks and/or warehouse facilities.

TABLE 7: Frequency of Vision, Mission, Values and Strategic Plans

	frequency	Percentage (%)
Vision	30	94
Mission	29	91
Values	28	88
Strategic Plan	30	94

Source: Research Data

Visions and missions give the direction and purpose for being of companies and always form the foundation for creating corporate values and strategic plans. Values on the other hand substantially drive behaviour of people in the organization by reinforcing the widely held beliefs and convictions. Strategic planning enables an organization to avoid a mismatch between the strategy and its environment.

The research findings revealed that most of the companies have vision, mission and values statements as well as strategic plans. XX% of the respondents have core values compared to 94% and 91% of them who have visions and missions respectively. This is a clear revelation that firms in the industry are alert to and respond accordingly to external environmental changes through the practice of strategic management tenets.

It was also evident from the research findings that firms that practiced strategic planning had visions, this finding corroborates existing literature review where visions constitute part of the strategic management processes in that it provides guidance for the firm's strategic objectives and strategies. Both visions and missions are enduring and rarely affected by environmental changes.

Table 8: Strategic Plan Planning Horizon

Planning Period	frequency	Percentage (%)
<3 years		27
3-5 years	13	43
>5 years	9	30

Source: Research Data

The research findings revealed that 43% of the respondents who have strategic plans adopted a 3-5 year planning horizon with 30% doing it after 5 years and 27% adopting a less than 3 year planning period. This conforms to standard practice even across other sectors and industries.

Table 9: Strategic Plan Review time horizon

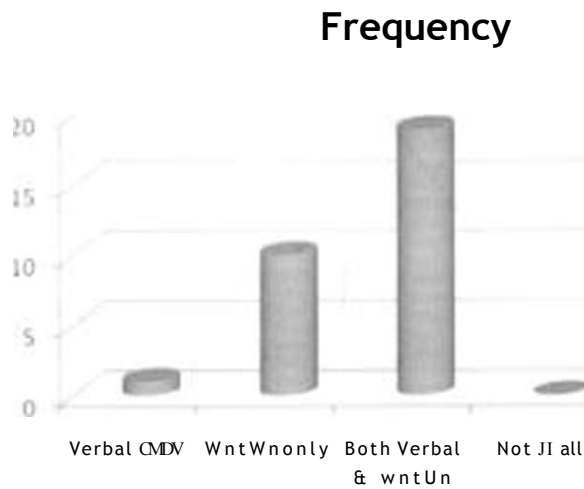
Plan Review horizon	Frequency	Percentage (%)
Semi-annually	5	17
Annually	24	80
Every 3 years	0	0
Every 5 years	0	0
No review at all	1	3

Source: Research Data

Although the results in table X show that over 73% of the firms that have strategic plans have a 3-year and over planning horizon. 80% review their plans annually with another 17% reviewing them semi-annually. This is a clear indication that the firms are cognizant of the fact that the business environment is very dynamic and keeps on changing continuously and thus firms must continuously respond by adapting to the changes.

The annual review of strategic plans therefore supports existing literature where firms reassess strategies regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances in a dynamic and turbulent remote and industry environments. There is need therefore to evaluate and control the plans.

fig 2: Communication of the Company Vision to staff



Sourcc: Research Data.

The above chart reveals that both verbal and written communication is the preferred mode of communicating vision among the responding companies. This shows the seriousness with which companies attach to visions and thus make attempts to ensure that everybody in the organization understand and live it. A similar trend was witnessed with the communication of the mission where 62% communicate it both verbal and in writing whereas 32% communicate it in writing only.

Verbal communication however is more visible with the strategic plan at 17%, written only at 27%, both verbal and written at 10% and 17% of the respondents not communicating it all. It is surprising indeed to note that some companies even after preparing the strategic plans do not communicate them to all their staff although they are implemented.

Firms therefore need to put the company vision on all company notice boards, urge staff to put it as screen savers in their computers and to regularly reinforce it whenever there are staff town hall meetings.

4.3 Environmental changes and impact on the firms

No organization is immune to the turbulence of the external environment. They are all environment-serving and thus rely on the environment for their inputs and outputs. The How of the inputs and outputs are governed by the precise nature of the components of the environment among them the remote factors, customers, suppliers and competitors

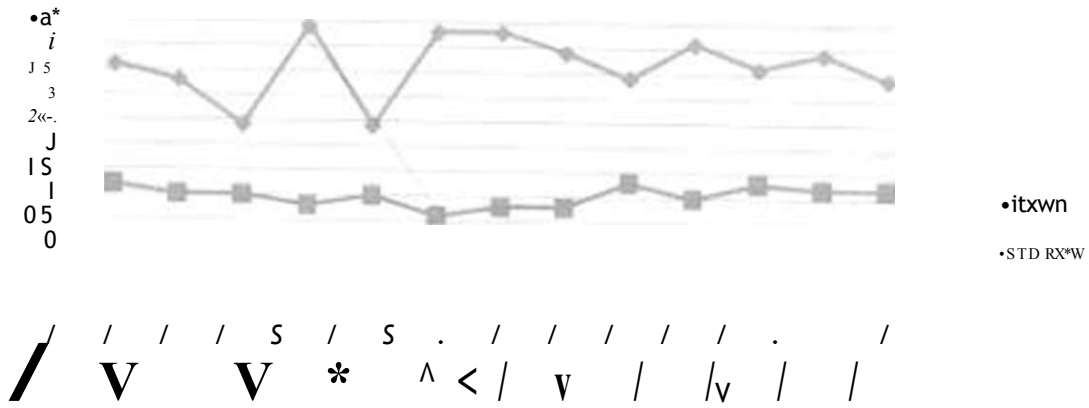
The study conducted using a 5-point Likert scale to determine the impact of the key remote and industry-related environmental factors on the firms (with a score of 1 measuring no impact rating and a score of (5) measuring a very high impact rating) revealed the results highlighted in table 10 below,

Table 10: The Impact of environmental forces on firms.

Environmental factor	Mean	Standard Deviation
Political legal	3.6	1.2
Economic	3.3	1.0
Socio-cultural	2.4	1.0
technological	4.4	0.8
Ecological	2.4	1.0
Customers	4.3	0.6
Competitors	4.3	0.8
Suppliers	3.0	0.8
KKA policies	3.4	1.3
KPA policies	4.1	1.0
Government regulations and Policies	3.6	1.3
Shipping lines	3.0	1.2
Freighting companies	3.4	1.2

Source: Kescarch Data

Fig 3: Graphical representation of the impact of environmental changes on the llrms



Source: Research Data.

4:3.1 Political-Legal factors

Business decisions are strongly affected by developments in the political and legal environment. Governments are major regulators, deregulates, subsidizes, employers and customers of organizations. These factors therefore can represent key opportunities and threats for any firm.

Table 11:1 The impact of Political-Legal forces on firms.

Variable	Mean	Standard Deviation
Government Regulations	4.2	0.9
Taxation policies	3.6	1.1
Licensing policies	3.5	1.3
Change of Government	2.7	1.1
Customs Policies	4.4	0.8
KRC Concession	3.0	1.5
Changes at KPA	4.0	0.9

Source: Research Data

from the research findings as shown in Table 10, the political-legal factors recorded an impact mean rating of (3.6) which falls between moderate and high rating on the Likert scale. However, a further analysis as per table 12 revealed that the component variables that weighed heavily on this factor were government regulations (4.2), customs policies (4.4), taxation policies (3.0), licensing policies (3.5) and the operational changes and challenges at the Kenya Ports Authority (4.0), On the other hand, the forces that had less to moderate impact on the firms were the KRC concession at (3.0) and the change of government at (2.7).

Table 12: The impact of KRA policies on firms

KRA Policies	Mean	Standard Deviation
Introduction of 1TR	3.3	1.3
Introduction of the SIMBA system	4.4	1.0
Transfer of bond cancellations to Nairobi	4.2	0.9
Licensing of firms through KRA	2.8	0.9
Licensing of CFS operators	3.6	1.2
Introduction of FACFFPC course	3.1	1.1
Requirement for a certificate of good conduct for Directors	2.5	1.2

Source: Research Data

A further in-depth analysis of the KRA policies as per table 12 revealed that the introduction of the SIMBA customs system (4.4), the transfer of bond cancellations to Nairobi (4.2) and the licensing of CFS operators (3.6) had the greatest adverse impact on the firms. This was because these changes forced firms to make structural adjustments both at operational and strategy levels.

The introduction of the SIMBA system required firms to invest in IT and to re-train their staff to cope with the new developments whereas the transfer of bond cancellation to Nairobi required that those firms that did not have offices in Nairobi had to open one. Some companies were either forced to transfer staff involved in bond management to Nairobi or recruit new staff to meet the requirement.

Table 13: The impact of KPA changes on firms

KPA operations	Mean	Standard Deviation
Impact effect of port congestion	4.4	0.4
Licensing of CHS operators	3.9	1.2
Introduction of overnight charges	4.1	0.8
Introduction of 24-hour operations	4.1	1.0
Introduction of booking procedure for trucks	3.7	1.0
Introduction of KW ATOS	4.2	1.0
Introduction of new tariff	4.1	0.8

Source: Research Data

As regards the operations changes and challenges at KPA, the research findings revealed that port congestion with an impact rating of (4.4) was the single significant variable that had the greatest adverse impact on the clearing and forwarding firms. This was due to the additional irrecoverable storage charges that accrued arising from the resultant operational inefficiencies. An in-depth analysis revealed that 75% of the respondents rated it (5) (very high impact) whereas the balance 25% rated it (4) (high impact).

Other adversely impacting forces were the introduction of the 24-hour operations at (4.1), the introduction of overnight storage charges (4.1), the implementation of the new KPA tariff (4.1) and the implementation of the KWATOS system with (4.2). The results of the study largely confirmed what was anticipated following the changes.

Table 14: The impact of government policies and regulations on firms

Variables	Mean	Standard Deviation
Effects of post-election chaos	4.4	0.9
Formation of Grand Coalition Government	3.6	1.2
Introduction 1-axle load rule	3.8	1.0
Effective weigh-bridge management	3.7	1.1
Effects of Mungiki menace	2.5	1.3
The post-election aftermath effects	3.8	0.9

Source: Research Data

On the administration of government and its regulations, the most critical factor that helps businesses to thrive is political stability. The January-February 2008 post election chaos and its aftermath had devastating effects on businesses. The Clearing and forwarding firms were not spared either. The research findings reinforced this fact by revealing that the effects of post-election chaos was rated at (4.41 on the Likert scale. Apart from the effects of the Mungiki menace which recorded an impact rating of (2.5). all other variables registered .i close to high impact rating

The findings from the research corroborated existing literature where strategists are spending more time anticipating and influencing public policy actions since a government can limit or even foreclose entry into industries through licensing, access to raw materials, controls on air and water pollution as well as product quality and efficacy regulations. The outcome of the 2008 US presidential elections is a clear indication of how perception about a country's president can influence the business environment of a country or even global markets.

4J.2 Economic factors.

This concerns the nature and direction of the economy in which a firm operates. Of critical importance are interest rates, inflation rates, the growth of the Gross Domestic National product, consumption/savings patterns, unemployment trends, exchange rates, stock market trends, economic blocs, fiscal and monetary policies, and worker productivity among others.

Table 15: The impact of Economic forces on firms

Economic Variable	Mean	Standard Deviation
G.D.P growth	3.3	0.9
Interest rates	3.6	1.1
Inflation rates	4.0	1.0
Purchasing power	3-7	1.0
Consumption savings patterns	3.1	0.9
Exchange rates	1.3	0.8
Stock market trends	2.3	1.0
Existence of Economic blocs	3.0	1.1
Fiscal monetary policies	3.3	1.2
Unemployment levels	2.4	0.9
Availability of credit	2.2	1.1

Source: Uesearch Data

From the research findings as per table 10, this factor was rated at (3.3) which is a slightly more than moderate impact. There are however variables within it that exerted very high impact. For example among 47% of the respondents, the volatility of the exchange rates rated

iii (4.3) on the Likert scale was rated as having a very high impact on their business with 57% of them rating the variable as high. On inflation rates, 35% rated its impact as very high whereas 39% rated it as high. Inflation rates was rated at <4.0) Other high impact variables are purchasing power and interest rates.

It should be noted that the more robust an economy is and the more stable the component variables, the more firms are able to grow and prosper. Given that the world is increasingly becoming a global village, any economic downturn in the global arena will have ripple effects on the local economy and by extension business. As a matter of practice, low import or export trade directly and adversely impact the clearing and forwarding industry.

The research findings corroborated existing literature where increasing global interdependence among economies, markets, governments and organizations make it imperative that firms consider the possible impact of economic variables on the formulation and implementation of competitive strategies. The effect of the recession of the US economy is being felt in Kenya and across the globe. Prices at the Nairobi stock exchange are depressed while market indicators have hit rock bottom.

4.2.2 Socio-cultural factors

Society shapes our beliefs, values and norms. As such there is need to translate social change into forecasts of business effects. The effects of geographic shifts in populations and changing work values, ethical standards and religious orientation can only help a strategizing firm in its attempts to prosper.

Table 16: The impact of socio-cultural force* on firms

Socio-cultural variable	Mean	Standard Deviation
Religion	1.7	0.8
Level of education	2.8	1.1
Ethics	2.8	1.1
Culture	2.0	1.1
Population demographics	2.2	1.0
Social responsibility	2.6	1.0
Social security programmes	2.8	1.0

Source: Research Data

The research findings as per table 10 revealed that socio-cultural forces recorded a mean score of (2.4) and therefore its changes rated as posing low impact on business. However, further analysis revealed that the level of education (2.8), concern for social responsibility (2.8) and ethics (2.8) are gaining prominence recording moderate impact. In fact, 80% of the respondents viewed education and ethics as having a high impact on business. This was largely observed among the multinationals and the large local companies.

Further revelations revealed that firms have come to regard concern for society and their employees as part of the business agenda and that is why several companies are now getting involved in social responsibility activities and programmes. This scenario is reinforcing existing literature and empirical studies which has shown companies moving away from the old adage that the business of business is business. On the other hand, with competition getting stiffer, firms have seen the need to hire educated and skilled staff to achieve efficiencies through innovation hence the thrust towards attaching value to education.

4.3.4 Technological factor.

Technological change is a principle driver of competition and thus can erode the competitive advantage of even a well-entrenched firm and propel others ahead. It can thus affect and influence competitive advantage and industry structure. It is being embraced by many firms to transform administrative, operational and decision making processes. Organizations like the Kenya Ports Authority and the Kenya Revenue Authority are targeting paperless processes. This will ultimately affect the operations of the clearing and forwarding firms.

Table 17: High impact of technological changes on firm*

Technological variable	Mean	Standard deviation
Internet	4.4	0.8
E-mail	4.4	0.8
ICT	4.3	0.87

Source: Research Data

findings from the study revealed that 51% of the responding companies rated the impact from technological changes as very high whereas 36% rated it high. In fact this factor recorded a mean rating of (4.4). The key variables that were being measured were the internet which registered an impact rating of (4.4), the growth of ICT sector (4.3) and use of e-mail as a communication tool which was rated at (4.4). Some recent changes in the industry include the introduction of the SIMBA TRADING System by KRA in 2005 and the waterfront operations system called KWATOS by KPA this year which are both web based.

For clearing and forwarding firms to transact any business with these authorities, they must access and communicate through these systems online. For survival, they must therefore comply without exception.

According to existing literature, accelerating technological change has been a major source of unpredictability in the business environment. Most companies now advertise tender* through the website, advertise job positions and receive applications online and so are customers who are demanding status reports online. As a result, the recognition of the strategic importance of technology is growing as firms strive to understand both the existing technological advances and the probable future advances that can affect their products and services. The companies that did not embrace the technological changes have been forced to close shop. It is evident from KIFWA records where most clearing and forwarding failed to renew their membership as well as customs licences.

The importance of technological advancements is alive in other sectors especially the banking and mobile phone industry. This is characterised by the products on offer that range from increasing ATM services, online banking. Safaricom's MPF.SA services to the blackberry service which is promoting the "mobile office" concept among others. These industry developments directly affect the clearing and forwarding industry and that is why technological changes across the board is having the greatest impact on their business operations.

Further analysis of the research studies revealed that 55% and 52% of the respondents rated the internet and e-mail communication respectively as having very high impact on business. A further 38% of respondents rated the impact of e-mail as high compared to 29% for the internet.

4.3.5 Ecological factors

The concern for deterioration of the natural environment is taking a global dimension. This scenario has made businesses to incorporate ecological concerns into their decision making processes for fear of the potential consequences of highly restrictive and costly environmental regulations by government agencies. The findings from the study are tabulated below.

Table IN: The impact of ecological factors on firms

Ecological variable	Mean	Standard Deviation
Air pollution	2.3	1.0
Water pollution	2.3	1.0
Formation of NFMA	2.7	1.2

Source: Research Data

Despite the importance attached by firms to this factor, it posed the least impact on business at a rating of (2.1) on the Likert scale. The dominant variable noted was the formation and operation of NFMA where 31% of the respondents thought it posed a high impact. The other variables which were air and water pollution registered low impact status. The results of the study particularly about NFMA reflects what is happening in practice since NEMA is asserting itself on environmental matters through occasionally making surprise visits and audits.

Companies that initially would haphazardly throw or even burn litter around their office premises have been restricted from doing so due to the health hazards that it can pose.

It is now a requirement that all firms must engage the services of registered garbage collectors so as to guarantee disposal in the designated sites failure to comply is met with steep penalties.

4.4 Customers

Customer needs keep on changing continuously as they position themselves competitively in their markets, firms that supply them with products and services must move in tandem with these changes and expectations lest they find themselves out of business.

The research findings revealed that the firms placed changing customer needs at (4.3) on the Likert Scale. A further analysis revealed that 47% of the respondents thought the changing customer needs posed a very high impact on their businesses with 41% placing it at high impact level. This means that for survival, firms must put customer needs high on the boardroom agenda.

4.5 Suppliers

As firms move towards the offer of supply chain logistics solutions in response to the continuously changing customer needs, the need to work very closely with suppliers is gaining currency. In fact suppliers are now regarded very highly on most organizations' value chains. No wonder, the results of the study rated suppliers' impact at a mean score of (3.9) with 26% rating it as very high and 42% rating it high.

Table 1¹): The impact of the shipping Lines' policies on the firms.

Variable	Mean	Standard Deviation
Reduction of free period	4.3	1.0
Increase of container deposits	3.9	1.2
Increase in detention and demurrages	4.3	0.9
Establishment of own clearing and forwarding agencies	3.6	1.4
Introduction of additional levies	3.9	1.1
Order of Through Bill of Lading	3.3	1.1

Source: research Data

A more detailed analysis of key suppliers of the clearing and forwarding industry revealed that shipping lines featured prominently on the high impact list with a mean score of (3.9). From the table above, the impact rating on the major variables like reduction of free detention period (4.3), increase in detention and demurrage rates (4.3), the high container deposits charges (3.9), the introduction of additional levies (3.9) and the decision to establish their own customs documentation divisions (1.6) posed the greatest impact. This is because their actions have both profitability and cash-flow implications on the clearing and forwarding firms' businesses.

The findings from the study reinforced the reasons for the long-drawn battle between KLL WA and the shipping lines where KLL WA has been lobbying the government through KKA to restrict shipping lines from venturing into the clearing and forwarding business. There were concerns also that the high container deposits charged to take release of containers was causing huge cash-flow problems to the firms and hence the glamour for revolving deposits facilities as a reprieve was mooted. Shipping lines on the other hand argue that some

forwarders lake container, and never return them hence the reason for the high container deposits requirement. The latter is still on.

Trucking companies too impact the operation of clearing and forwarding firms. Changes that affect the truckers directly or indirectly affect them too as they form part of the supply chain. For example the introduction of the 3 axle-load regulation affected the forwarders through increases in trucking rates and slow-down in cargo movements during the period the transporters were complying with the government requirements.

Table 20: The impact of trucking companies' operations on the firms

Variable	Mean	Standard Deviation
<u>Increase in trucking rates</u>	3.9	1.1
Request for advance payments	3.6	1.2
<u>Introduction of the 3-axle load rule</u>	3.9	
Existence of k IA	2.7	1.1
<u>Demand for goods in transit insurance cover</u>	3.1	1.3

Source: Research Data

The introduction of the axle-load regulation was viewed by 69% of the respondents as having a more than high impact; the consequence of which led to high trucking rates. The increase in trucking rates registered an impact rating of (3.9) on the Likert Scale thus reflecting a high impact. The increase in rates was however partly due to the high fuel prices and prevailing high inflation rates. From the table above, it is evident that truckers' actions like increase in rates and request for advance payments affect the freight forwarding firms. Increase in rates in particular impact adversely especially where forwarders have sold a carrier haulage

package from a supplier overseas to an importer say in Kampala. Any subsequent variations in costs thereafter affect their profitability

4.4 Competitors

There are more than 1200 registered clearing and forwarding firms which are members of KIIWA countrywide. Because of this large number, there is intense competition in the industry as the firms jockey for position. The research findings revealed that competitor action was rated with a mean score of (4.3) on a 5-point Likert scale. This is a more than high impact rating. A further analysis revealed that 50% of the respondents thought the factor posed the greatest impact whereas 11% rated its impact on business as high. A paltry 19% rated its impact as moderate which apparently was the lowest score for this factor.

It follows therefore that firms must be alert to every move taken by their competitors so as to be able to counter. It is no wonder then that the essence of strategy formulation strategy is copy with competition and yet it is very easy to view competition too narrowly and too pessimistically. It is with this realisation that most firms industry notwithstanding are adopting various strategies including advertising, diversification among others to counter competition. It is no wonder that clearing and forwarding firms are now engaged in sponsoring sporting events and even participating in community projects which was unusual five years ago.

4.7 Organizational Responses

Managing activities internal to the firm is only part of the modern executives' responsibilities. As such, they must also respond to the challenges posed by the firm's immediate and remote external environments, This will not only ensure iliai ihc linn survives but also prosper in a rapidly changing, highly competitive and globally integrated environment.

4.7.1 Strategic Responses

Summarised in table 21 are the strategic responses adopted by the firms to counter the changes in their external environments It should however be noted that the different strategies adopted are not all applied at the same time. They var\ according to the situation and circumstances

Table 21: Strategic Responses l>\ the firms to environment changes

Response	frequency	Percentage (<%)
Developed reviewed strategic plan	24	75
Cost Leadership	17	54
Collaboration	19	60
Technological Innovation	15	47
Human Resources management Strategies	19	60
Corporate Social responsibility	11	35

Source: Research Data

From the study, it is evident that the companies have responded to the myriad environmental forces by adopting various strategic options. The responses vary from one organization to another depending on their unique circumstances.

Strategic Planning is the process of identifying a strategy that best matches the organization's capability to its environment. Organizations scan the environment to be able to identify the prevailing opportunities and threats at the same time assess its capabilities so as to align themselves accordingly to battle the environmental challenges. From the study 75% of the companies have responded to the changes by either developing a strategic plan or reviewing the existing ones accordingly. The study further revealed that 10% of the firms changed their visions and missions. This was upon realisation that the visions and missions had lost their enduring appeal and was no longer providing direction and purpose for being

A notable finding is that firms review their strategic plans annually. This is out of the realization that in order for organizations to remain competitive in the long term, they are compelled to undertake complex changes with increasing speed, efficiency and success. This behaviour corroborates existing literature where according to Ansoff and McDonnell (1940), when a firm's environment moves to a new turbulence level, the responsiveness of the firm's capability to the external stimuli must also move to a different level. To this end, there is a need to conduct a strategic diagnosis to determine the changes that have to be made to a firm's strategy and its internal capability so as to assure a firm's success in its future environment.

This is further reinforced by Aosa (1992), where he avers that a mismatch between the environment and the organization that is brought about by failure to respond to changes in the environment creates a strategic problem which must be addressed. They must therefore relate effectively with the environment for success by tailoring their strategies to the requirements of its market environment and to the strengths and weaknesses of its resources and capabilities.

Another strategy adopted by the firms is cost leadership. Business successes built on cost leadership requires that the businesses are able to provide its services at a cost below what its competitors can achieve and must be sustainable. Companies have implemented this in various ways which includes downsizing, outsourcing, redundancies and retrenchments, review of financial facilities, negotiation of revolving facilities with shipping lines and re-evaluation of value chain processes. Negotiation of deposit revolving facilities with shipping lines as a cost saving measure was pursued by 55% of the respondents. Another 23% downsized whereas 19% reviewed their financial facilities. Cost leadership enables a company to be competitive and therefore can price its services low and increase market share. Any cost savings as well can be utilized for investment in technological innovations which can improve product or service offering.

Collaboration is where two or more companies share resources and activities to pursue a strategy. It has arisen out of the realisation that organizations cannot always cope with increasingly complex environments from internal resources and competences alone. They may share skills, finances, innovations and access to markets through cooperation as through ownership.

It may take the form of strategic alliances, supplier alliances or mergers and acquisitions. From the study, 35% of the respondents have entered into strategic alliances, 22% into supplier partnerships and 6% into mergers and acquisitions, the motives for these moves range from the need to achieve cost leadership, improve customer offering, co-specialisation and learning from each other to be able to develop certain competences which one partner may be lacking. Companies are therefore seeking excellence by focusing on those things they do best and working with others in areas where they excel.

KMWA was not only created as an association to regulate the activities of the freight forwarding firms but also to affiliate its members to FIATA. It has been fighting for the interests of its members by raising their grievances with relevant government agencies and other stakeholders like KTA. Its input is often sought by both KPA and KRA before they make certain policy pronouncements. In this capacity, it has played a critical role in representing members' interests in the key stakeholder meetings like the weekly KPA operations meetings where KKA, KIMS, KIA, port health, security agencies are in attendance. From the study, 61% of the respondents use KIFWA as a lobby body whenever they have issues either with the government directly or with its agencies.

Human Resources are to an organization what software is to a computer. So human resource issues must take centre stage in any organization since people are at the heart of strategy. Their knowledge and experience can not only be the key factor enabling the success of strategies but can also hinder the adoption of new strategies.

The above is underpinned by the results of the research findings where 60% of the respondents focused their strategies around people. Various approaches are being used to respond to the very dynamic nature of the business environment to assure survival. Some companies have introduced staff commission schemes (42%), putting staff on contracts (39%), racial mix of staff (16%), multi-skilling (48%) and staff re-training and development (65%). The research findings compares favourably with current human resource practices where firms are focusing more on performance based compensation schemes, performance contracting, productivity management.

The concept behind the high incidence of re-training and development is the fact that organizations are increasingly harmonising the changing organizational strategies with people's competences. Firms are focusing on multi-skilling with a view to having employees which can multi-task. They are also alert to the fact that previously employment was primarily a source of economic security and material reward which is no longer the case now. Employees are now looking beyond financial gain to seek identity, fellowship and meaning. This has an effect on human resource management, strategy, the role of management and corporate identity. Firms therefore must be alert to this. No wonder human resource

Technological innovation is increasingly becoming a tool for gaining competitive advantage. Successful organizations will be those where there is a strong commitment to innovation from senior management and business acumen based on the understanding of the business strategy and technology relationship, technology must therefore be exploited to achieve strategic success. 47% of the respondents subscribe to this strategy

Technology change and globalization of markets have complicated matters further by raising the standards for quality, innovation, productivity and customer service. Technology affects and influences competitive advantage and industry structure, firms are embracing it to transform administrative, operational and decision making processes.

About 10 years ago, organizations used to take the narrow view that the business of business is business and thus focused on the short term interests of shareholders. Not anymore. Corporate social responsibility is now gaining ground. Results from the study reveal that 35% of the respondents support corporate social responsibility programmes. They participate through supporting children homes, responding to disasters and emergencies, and through supporting and sponsoring sporting activities among other. They view their contribution to society as complementing their short- and long term stakeholder interests.

Marketing strategies in companies are changing and focusing more on the customer, firms are developing profiles of present and prospective customers to be able to effectively plan strategic operations, anticipate changes in the size of the market and to reallocate resources to support forecast shifts in demand patterns. Many companies are realising the benefits of demographic and psychographic segmentation. This explains the reason why the research findings revealed that 55% of the respondents pursued customer profiling strategies.

Some companies have used past data and trends to assess future customer behaviour in terms of service requirements. This has yielded disastrous results. As a consequence, most firms have changed approach and put more focus and emphasis on delivering the standard of service promised. In fact the results of the study revealed that 84% of the respondents have adopted a customer service focused strategic option. Customer service is now the buzz word

Pricing as a marketing strategy was adopted by 68% of the respondents. Some firms which had 11% capacity to offer the whole bundle of logistics services to their customers used economies of scale to offer low rates and thus were able to not only retain their existing customers but also attracted new ones. Those which were able to offer unique services like C I S operations, car carriers, consolidation/dedicated consolidation and NVtX (were able to charge premium rates thus growing their profitability. However due to the very high competition, rates have been on the downward trend especially for such basic services like customs documentation and general warehousing.

Another marketing strategy embraced was diversification which was adopted by 23% of the firms. However, the scope and type varied from one firm to the other. The small firms which previously focused on clearance of only motor vehicles now handle containerised traffic as well just as those firms which used to operate within Kenya only now offer cross-border services as well. The findings summarised in Table 6 show that 72% of the firms offer cross border services compared to a paltry 6% which operate within Mombasa only. The areas of diversification identified include offer of trucking services, supply chain management, transit operations and also C I S operations.

4.7.2 Operational Response*

The operational responses adopted by the firms are summarised in table 22 below.

Table 22: Operational responses by firms to environmental changes

Response	Frequency	Percentage (%)
Opening of Branch offices	10	26
Introduction of work shifts	7	23
Hiring of temporary staff	6	19
Change of working hours	9	29
Technological innovation	15	47

Source: Research Data

The environmental changes have also affected firms at the operational level and firms have been forced to respond accordingly. With the transfer and centralisation of transit bonds cancellation to times lower in Nairobi, firms have responded by opening branch offices in Nairobi. The requirement that a full examination account and cargo details is required to be input into the KRA computer systems before bonds are cancelled has also forced those companies that did not have offices in Malaba to open them. The research findings revealed that 26% of the respondents have actually opened branch offices in response to this KRA regulation.

The 24 hour operations system that was introduced by KPA and adopted by all other key government agencies operating in the port has also forced firms to introduce shift working hours. Some still work during the day and others work at night. To cope with this new development firms have had to adjust by engaging casual staff to work alongside their permanent staff. Working hours have also changed from the traditional 0800 hours to 1700hrs to more flexible working hours depending on work needs. Most clearing and forwarding companies have now adopted Saturday as an official working day. The change of working hours has been adopted by 29% of the respondents whereas 11% and 23% have adopted the hiring of casual staff and shift work system respectively.

The research study further revealed that the small companies that previously used typewriters to prepare customs entries now use either cyber cafes or KIKWA computers to access both the KRA SIMBA IKADI X System and KWA'S KWATOS rather than buy their own computers. In this way, they get access to computers without owning them and thus minimize on capital investments and related service and maintenance costs.

Technological advancements which have made the offer of banking services branchless has made it possible for importers to pay duties and other taxes in Nairobi and same gets reflected online in Mombasa, this has made clearance of goods out of the port faster due to the reduced lead time in despatching cheques by courier to any clearance point. Technology has also made communication between field and office staff possible as if they were just an extension away. Senior executives are also now using mobile phones to receive, send and reply e-mails hence the concept of "mobile office" made possible.

C H A P T E R 5 : S U M M A R Y . C O N C L U S I O N A N D R E C O M M E N D A T I O N S

5.1 Introduction

This chapter outlines the summary and conclusions from the research findings, highlights the limitations of the study and recommendations for policy and practice.

5.2 Summary

The objective of this study was to determine how the changes in the business environment have affected the clearing and forwarding firms and to identify the strategic and operational responses that the firms have adopted to mitigate the changes. Data was collected using a structured mail questionnaire administered to senior managers of the target population, analysed for completeness and consistency and presented in the form of frequency tables, percentages, line and bar graphs as well as means and standard deviations.

The results of the study revealed that the clearing and forwarding industry just like any other industry has not been spared the effects of environmental turbulence. On the forefront are technological advancements which have radically changed the way business is now being conducted in the industry. The KRA and KPA have introduced web-based systems which have to be accessed online, customers place tenders through the internet which have to be filled and returned online whereas communication with customers, suppliers and staff is now adopting the e-mail system. This environmental factor recorded a mean score of (4.4) on the Likert scale (1 represented no impact rating whereas 5 represented very high impact).

The firms have not been spared the political-legal forces (3.6) either: where they have borne the brunt of changes in government regulations and policies, customs reform and modernisation policies, the KRC concession as well as the KPA changes and operational challenges. Other factors like customer needs (4.3), competitor actions (4.3), supplier actions (3.9), and economic factors (3.3) have not made the situation any better. In fact, the climate of uncertainty in the business environment is so thick you can cut it with a blunt knife more so with the fast spreading jitters driven by the financial crisis that has hit the developed economies especially the United States of America.

With the combined pressure of all these forces collectively, the firms have been forced to adapt their activities and internal configuration to relieve the new external situation by crafting strategies that fit their external and internal situations so as to build sustainable competitive advantage and thus guarantee improved company performance. Several strategies like embracing strategic planning (75%), cost leadership (54%), human resource management (61%), collaboration (60%) and technological innovation (47%) and corporate social responsibility (35%) have been adopted.

5.3 Conclusion

It is evident from the study that all companies operate in a dynamic and turbulent environment where external forces beyond their control are at play, these forces influence a firm's choice of direction and action and ultimately its organizational structure and internal processes and unless the firms' management become alert to these external developments, assess their impact and adapt the company's direction and strategy as needed, the risk of them getting into irrelevance or extinction are real.

5.4 Limitations of the Study)

The study sought to determine the impact of the environmental changes on the clearing and forwarding industry and how the firms have responded to the changes, to achieve this, a structured question was administered to senior managers of the targeted firms and a response rate of 64% was achieved. Though statistically reasonable. I would have preferred a minimum 75% response rate in view of the population size. This was largely contributed by time constraints as well as restrictive company communication policies practised by large local companies and multinationals. As a result I was unable to obtain feedback from two key multinational companies their input of which would have spiced the research findings

Due to confidentiality reasons, some respondents chose not to answer some of the questions and in some cases answers given were inconsistent meaning that some respondents may not have understood the questions well. The analysis of some responses on the questionnaires revealed a degree of central tendency bias where some respondents tended to rate elements of a particular environmental factor almost same on the Likert scale even where the impact was obviously different. Some degree of halo effect was also witnessed in a few isolated responses.

5.5 Recommendations for Policy and Practice

The number of registered and licensed clearing and forwarding agents in Kenya as at June 2007 was 824, This number is too large for an economy like ours. I recommend that the government takes appropriate policy decisions like increasing the minimum share capital of

the firms so as to be able to reduce the number by at least 50%. Strong and vibrant economies like Malaysia had only 237 registered and licensed freight forwarders in 2007.

There is also an urgent need to fast-track the implementation of a code of conduct for this industry while at the same time trying to encourage and promote professionalism. It is surprising that the industry plays the role of revenue collection agent and yet the players do not subscribe to any code of ethics.

The government should also allocate more budgetary support to KPA and KRA to be able to embrace technological advancements that support paperless operations and minimal human interventions in the customs documentation processes.

To expedite customs documentation and reduce cargo dwell time at the port, KRA should optimise use of traffic lights channel system where regular importers of homogenous products and those which have a consistent and good track record of compliance with customs regulations are granted "green channel" status. That is to say that their cargo should be given direct release and not subjected to verification. The same case should apply to freight forwarders that consistently exhibit ethical and honest behaviour in the conduct of business. For the firms that are inconsistent in compliance with regulations, a "red channel" status should be applied where that all their shipments are subjected to 100% verification among other punitive measures.

It is further recommended that a minimum threshold turnover level should be determined and regularly monitored. Those firms which fail to comply should have their licences not renewed when due but rather than be out of business, they should be encouraged to merge. Renewal of licences should strictly be annual.

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DATE: 29th September 2008

TO WHOM IT MAY CONCERN

The bearer of this letter Joseph Kipkeu-r Koskey is a Master of Business Administration (MBA) student of the University of Nairobi, Bandari Campus


Registration No 1)61/P/7991/2004

is a Master of Business Administration (MBA) student of the University of Nairobi, Bandari Campus

He is required to submit as part of his coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist by allowing him to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

 (Signature)
Cyrus Iraya
CO-ORDINATOR, BANDARI CAMPUS

Cyrus Iraya
CO-ORDINATOR, BANDARI CAMPUS

Appendix II: Questionnaire

Section I: General information

1. Name of organization
2. Year of incorporation
- } What is the ownership structure⁰ Please tick as appropriate
 - i. full local ownership ()
 - ii. full foreign ownership ()
 - iii. partly local/partly foreign ()
4. How many branch offices do you have?
5. If more than one, please specify location(s)
- (» How many staff members do you have? Please tick appropriately
 - i. 1-20 ()
 - ii. 21-50 ()
 - iii. 51-100 ()
 - iv. 101-150 ()
 - v. More than 150 ()
- 7 Do you have a vision statement? Please tick appropriately
 - a. Yes ()
 - b. No ()
- X Do you have a mission statement?
 - a. Yes ()
 - b. No ()

IX> you liave corporate values.'

- a. Yes ()
- b. No ()

10 If your answer to either 8.9.10 is yes. how is. it communicated to the workers? Please tick appropriately

- a. Verbal ()
- b. Written ()
- C. Both verbal and written ()

11 Do you have a strategic plan?

- a. Yes ()
- b. No ()

I? If the answer to 11 above is yes, please indicate the planning horizon:-

- a. 0-3 years ()
- b. 3-5 years ()
- c. More than 5 years ()

H How is lhe strategic plan communicated lo the stall?

- a. In writing through the notice hoard ()
- b. Orally through regular briefings ()
- c. Using e-mail communication ()
- d. Not at all ()

14 How often is the plan reviewed?

- a. Semi-annually
- b. Annually
- c. Every 1-2 years
- d. Every 3-5 years
- e. Not at all

15. What is the scope of your operations? Please tick as appropriate:-

- a. Operate within Mombasa only
- b. Cover the entire country (Kenya)
- c. Cross-border into Uganda, Rwanda, Southern Sudan, Burundi

16. What Logistics services do you offer? Please tick as appropriate:-

- a. Customs documentation
- b. Bonded warehouses
- c. Transit warehouses
- d. General warehouses
- e. Trucking
- f. Supply chain management
- g. CPS facility
- h. Transit yard
- i. Consolidation/deconsolidation
- j. Removals and freight
- k. NVOCC

Section 2: The impact of the environment on the organization

I. Please indicate on a scale of 1 (No impact) to 5 (very high impact) the impact the under-listed environmental forces have had on your organization either directly or indirectly over the last 5 years. Please rate the factor as appropriate as per below key

K I N

- 1. No impact**
- 2. Less Impact**
- i. Moderate Impact**
- 4. High Impact**
- 5. Very high impact**

I. Political-legal factors

a. Government regulations	2	1	4	5
b. Taxation policies	2	^	4	5
c. Licensing policies	2	3	4	5
d. C hange of government	2	3	4	5
e. C ustoms policies	2	3	1	5
f. KR< Concession	2	3	4	5
g. I banges at kPA	2	3	4	5

I I conomic factors

a. G.D.P growth	12	3	4	5	
b. Interest rates	12	3	4	5	
c. Inflation rates	1	2	3	4	5

- d. Purchasing power
- c. Consumption's savings patterns
- l Exchange rates
- g. Stock market trends
- h. Economic blocs
- i. Fiscal monetary policies
- j. Unemployment
- k. Availability of credit

III. Socio-cultural factors

- a. Religion
- b. Level of education
- c. Ethics
- d. Culture
- e. Population demographics
- l Social responsibility
- g. Social security programmes

IV. Technological factors

- a. Internet
- b. E-mail
- c. Cell

V. Ecological factors

- a. Air pollution

b. Water pollution	1	2	3	4	5
c. Formation of NP.MA	1	2	3	4	5
VI Change in customers needs	1	2	3	4	5
VII. Competitor actions	1	2	3	4	5
VIII. Bargaining power of suppliers	1	2	3	4	5

2. Recently, there have been changes in the business environment that directly affected the clearing and forwarding industry. On a scale of 1 (No impact) to 5 (very high impact), please indicate degree of the impact it has had on your business by circling the factor as per the key below

KV

No impact

Less Impact

Moderate Impact

High Impact

Very high impact

A. Remote environment

a. KRA policies

i. Introduction of KTR	1	2	3	4	5
ii. Introduction of SIMBA system	1	2	3	4	5

lii.	Transfer of Bond cancellations to Nairobi	1	2	3	4	5
iv.	Licensing through KII WA	1	2	3	4	5
v.	Licensing of C.I.-S operators	1	2	3	4	5
vi.	Introduction of IACFFPC course	1	2	3	4	5
\ ii.	Requirement for a certificate of good conduct for Directors	1	2	3	4	5
viii.	Others (List)					

b. KPA operations

i.	Port congestion	1	2	3	4	5
ii.	Licensing of some CPS operators to handle full container loads	1	2	3	4	5
iii.	Introduction of overnight charges	1	2	3	4	5
iv.	Introduction of 24-hour operations	1	2	1	4	5
v.	Booking procedures of trucks into the port	1	2	3	4	5
vi.	Introduction of the waterfront System (KWATOS)	1	2	3	4	5
vii.	Introduction of new tariff	1	2	3	4	5

c. Government

i.	Post-election chaos	2	3	4	5
ii.	formation of grand coalition (government)	2	3	4	5

- iii. Introduction of 3-axle rule |
- iv. Effective weight-bridge management |
- v. Mungiki Menace |
- vi. Post-election aftermath |

Illustrative environment

Shipping Lines

- i. Reduction of free period |
- ii. Increase of container deposits |
- iii. Increase in detention and
Demurrages rates |
- iv. Establishment of own
C & F agencies |
- v. Introduction of additional levies |
- vi. Offer of Through Bill of Lading
(TBL) services |

Trucking companies

- i. Increase in trucking rates |
- ii. Request for advance payments |
- iii. Change to 3-axle trailers |
- iv. Existence of KIA |
- v. Demand for goods in transit
insurance cover.

Section 3: Responses to the changes in the environment

I. How has your organization responded to the changes highlighted in section 2 above?

Please tick as appropriate

- i. Developed/Reviewed a strategic plan <
- ii. Changed company vision & mission
- iii. Opened branch ofTiccs
- iv. **Downsized**
- v. Lobbying the government through KIFWA
- vi. Offering directorship positions to politicians <
- vii. Changes in the board of directors
- viii. De-selected some services < Please list I
- i.\. Diversified services into:-
 - a Trucking
 - b. Supply chain solutions
 - c. transit
 - d. Warehousing & distribution
 - c. Others (list)
- Negotiated revolving deposit facilities
- xi. Entering into Strategic alliances <
- xii. Entered into Supplier partnerships <
- xiii. Entered into Mergers and acquisitions K
- xiv. technological innovation
- xv. Restructuring (describe)
- xvi. Involvement in Corporate social responsibility

- xvii. Customer service focus
- xviii. Customer profiling
- xix. Adopted the marketing concept
- xx. Review of rates to customers
- xxi. Listed at the Nairobi stock exchange
- xxii. Re-negotiation of Directorates with the bank
- xxiii. Shifting to banks to guarantee transit bonds
- xxiv. Shifting to Insurance companies for transit bonds
- xxv. Outsourced some services
- xxvi. Human resources policies
 - i. Putting staff on contracts
 - ii. Putting staff in commission schemes
 - iii. Hiring of temporary staff
 - iv. Change of working hours
 - v. Introduced shift work hours
 - vi. Staff re-training & Development
 - vii. Multi-skilling
 - viii. Redundancy & Retirements
 - ix. Racial Mix of staff
 - x. Hire of Expatriates