

STRATEGIC PLANNING AT EAST AFRICAN BREWERIES LIMITED

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A management research project report submitted in partial fulfillment of the requirements of the Degree of Master of Business Administration, Faculty of Commerce, University of Nairobi.

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DECLARATION

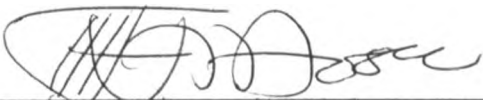
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Signed  _____

WANGECHI MURIUKI

Date 17/10/05 _____

This management report has been submitted for examination with my approval as the University supervisor.

Signed  _____

Prof. Evans Aosa

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Date 2/11/2005 _____

DEDICATION

To God, almighty.....The wind beneath my wings. Because of him, I can fly.

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TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vii
ABSTRACT.....	viii
CHAPTER ONE : INTRODUCTION.....	1
1.1 Background.....	1
1.2 East African Breweries Limited.....	4
1.3 Problem statement.....	7
1.4 Objective of the study	8
1.5 Significance of the study.....	8
CHAPTER TWO : LITERATURE REVIEW.....	9
2.1 The concept of strategy	9
2.2 Approaches to strategy formation.....	10
2.3 Strategic management.....	12
2.4 Historical development of strategic planning	13
2.5 Levels of strategic planning	15
2.6 Strategic planning systems.....	16
CHAPTER THREE : RESEARCH METHODOLOGY	20
3.1 Research Design.....	20
3.2 Data Collection	20
3.3 Data Analysis.....	21

CHAPTER FOUR : DATA ANALYSIS AND INTERPRETATION.....	22
4.1 Introduction.....	22
4.2 The Respondents profiles.....	22
4.3 The strategic planning process.....	23
4.4 The business planning process.....	32
4.5 Conclusion of findings.....	40
CHAPTER FIVE : CONCLUSIONS AND RECOMMENDATIONS	44
5.1 The strategic planning system at East African Breweries Limited.....	44
5.2 Conclusions and recommendations.....	47
5.3 Limitations to the study	49
5.4 Suggestions for further research	49
REFERENCES:	50
APPENDICES.....	56

LIST OF TABLES

Table 1: Key steps in corporate strategic planning.....25

Table 2: Strategic Planning time-table.....26

Table 3: Key steps involved in business planning.....34

Table 4: East African Breweries Limited’s strategic planning system.....42

ABSTRACT

The research was undertaken in order to understand strategic planning at East African Breweries Limited. The objective of the study was to investigate and document the strategic planning system at East African Breweries Limited. A number of studies have been done in Kenya regarding strategic planning practices in several industries and companies.

East African Breweries Limited (EABL), has continued to carry out outstandingly profitable operations in the region. Despite its complex, multi business and multi-country nature, it is ranked among the top performing firms in the region. It was therefore deemed of importance to understand the sort of EABL's strategic planning system that makes this organization successful in a constantly changing environment. It is for this reason that the study was done.

In depth interviews were carried out on senior managers who played key roles in strategic planning. Although eight respondents were contacted, only seven interviews were conducted. The respondents were highly experienced people in corporate management.

There is no uniform approach to strategic planning, different companies apply different approaches. It was evident from the research that East African Breweries Limited has put in place a strategic planning system that is unique to its context. The strategy development process is informal, continuous and is integrated into everyday aspects of work. The strategic planning process is an annual event that is highly formalized, rational and analytical. The two processes run in parallel. EABL's planning system integrates business experience and intuition with rigorous analysis.

Factors such as organizational size, complexity, degree of competition, the need for internal consistency and comprehensiveness will determine how formal or informal a planning system will be.

The group-managing director plays a dominant role in strategic planning and is a very influential figure in providing the right culture. However, the board's influence is minimal.

Strategic plans are developed by top management, functional and operational staff. The planning horizon for these plans was one year due to the constantly changing environment, though company's planning cycle is 3 years. The marketing function plays a key role in strategic planning. Diverse sophisticated tools are utilized in the process of strategic planning. However, much emphasis is placed on marketing research and financial analysis tools.

Strategic planning at EABL, takes place at both corporate and business levels. However strategies at both levels are interrelated. All the parts of the business work to accomplish the over-riding EABL's corporate mission. Implementation of results is routinely and rigorously measured and creative methods for encouraging breakthrough thinking are used to collect data to feed on to strategy development.

Strategic planning at EABL is not without its complications and challenges. This is due to the complex nature, size, different environments and multiple businesses that pose problems during strategic formulation and implementation stages.

CHAPTER ONE: INTRODUCTION

1.1 Background

Over the past few decades, a major shift is believed to have occurred in the way organizations cope with their environments. Researchers assert that many companies have increasingly adopted strategic planning due to the increasingly turbulent environment. Pearce and Robinson (1997) observe that all organizations inevitably have to interact with a dynamic environment that is constantly changing. They have to establish a match between themselves and the environments in which they operate if they have to survive.

Managers are often obliged to subordinate the demands of their firms' internal activities and their external environment to the multiple and often inconsistent requirements of their stakeholders who include owners, top managers, employees, communities, customers and their country. To deal effectively with everything that affects the growth and profitability of a firm, executives employ management processes that they feel will position their firm optimally in their competitive environment by maximizing the anticipation of environmental changes and of unexpected competitive demands.

This leads to the evolution of strategy in organizations. Strategy answers the "how" question with an overall mission and vision. An increasingly volatile environment affects objectives. Since organizations are environment serving, they open systems. This implies that they are interdependent with the environment. The strategies then employed also need to take into account the environment within which they operate if they have to be effective.

The establishment of a fit between the environment and an organization involves the strategic management process; a concept based on the belief that organizations would be expected to continuously monitor what emerges in their environment (David, 1997). Strategic management is one of the most recent and most comprehensive of the approaches to management that involves strategy formulation, implementation, control and evaluation (Pearce and Robinson, 1997).

There is no uniform approach in strategic management. Different organizations practicing strategic management will adopt different approaches. Every firm will have a unique planning process and style based on the approach it takes. Strategic planning systems are the mechanisms or arrangements put in place by organizations for strategically managing the implementation of agreed upon strategies. The systems typically embody procedures and occasions for routinely reassessing those strategies (Bryson, 1995). Different authors have provided different typologies of strategic planning systems. The typologies reflect the different approaches applied in different organizations as well as the chronology of the development of planning systems.

These range from formal, well defined frameworks of highly structured top-down systems to routine strategic planning and to less formalized alternatives such as strategic issues planning and logical incrementalism. Different types of strategic planning employ different tools, procedures and management processes based on the approach taken. (Harrison, 1976; Gluck et al (1980); Gluck et al (1982); Gunn, (1991); Johnson and Scholes, (2002)). In the 1990's the fashion has swung towards the participative and cultural modes. These modes involve multiple constituencies in the planning process and place particular emphasis upon the underlying value systems, which bond people to organizations (Gunn, 1991).

Strategic planning is largely a post world war II phenomenon. It grew out of budget exercises in the 1950's in the United States and spread rapidly. According to Ansoff and McDonnel (1990), strategic planning evolved in the late 1950's when firms invented a systematic approach to deciding where and how the firm will do its future business. Strategic planning had by the mid 1960's being carried out in most large corporations in the United States (Mintzberg, 1994).

The 1970's saw the advent of strategic planning as a key tool proposed by consultants to aid corporate management in determining the future of their organizations. Most strategic planning systems relied on historical data generated internally. They required long and exhaustive analyses with a heavy numerical base. The result was an extrapolation of history into the future requiring quantitative analysis skills (Roberts, 1998). Strategic planning has over time evolved in a bid to improve its practice. Strategic planning is to date viewed as a means of facing up to change in corporate management.

The Kenyan business environment is no exemption to the patterns witnessed in the world. It has been changing radically over the years. Liberalization of the domestic and foreign economy, globalization, price decontrols in the early 90's, privatization and commercialization of the public sector, increased competition, and the accelerated implementation of economic reforms by the government have created a more complex business environment (Aosa, 1992). The fiscal policy has also been changing from year to year with introduction of value added tax in 1989, changes in corporation and individual taxes, excise taxes, all of which impact an organization's profitability and opportunities. This implies that organizations have to cope with new realities. They therefore have to adapt their activities to the new realities. These changes in the Kenyan

environment have put pressure for change within organizations in Kenya irrespective of the sector in which they operate. The changes are persistent, irregular and inevitable.

1.2 East African Breweries Limited

The company was incorporated as a private company in 1914 as Kenya Breweries Limited. In 1940, Kenya Breweries Limited established and acquired Tanganyika Breweries Limited and eventually changed from Kenya Breweries Limited to East African Breweries Limited. By the 1960's, the company had joined business in both Tanzania and Kampala. East African Breweries Limited (EABL), a publicly quoted blue chip company has dual listing in both Nairobi and Kampala. Currently, there are 23,000 shareholders. By market capitalization, it is the largest listed company on both the stock exchanges. It employs 1035 employees. The firm's head office is situated in Ruaraka, off Thika Road in the outskirts of Nairobi.

In 1988, the firm's glass business unit was incorporated as a fully-fledged subsidiary as Central Glass Industries. Central Glass Industries manufactures lightweight glass bottle packaging for beer, soft drinks, spirits and bean jars. Diageo International, in 1998, a global company, and the world's leading premium drinks business trading in over 180 markets acquired a major shareholding in East African Breweries Limited (EABL). Diageo International has an outstanding collection of beverage alcohol brands across spirits, wine and beer categories. These brands include: Smirnoff, Johnnie Walker, Guinness, Baileys, J&B, Captain Morgan, Cuervo, Tanqueray, and Beaulieu Vineyard and Sterling Vineyards wines.

In 2002, EABL acquired 46% of United Distillers and Vinters Kenya Limited (UDV (K)) a spirits manufacturing company and now has full control of the business unit. The firm's brands

include Kenya Cane, Kane Extra, Bond 7 Whisky, Richot Brandy and Popov Vodka. As a consequence of the new business arrangements, the route to market for UDV (K) products was enhanced by integrating the sales, marketing, and distribution functions to both UDV (K) and Kenya Breweries Limited, with synergies being harvested in the form of cost savings and increased selling opportunities. In the same year, International Distillers Uganda Limited was acquired by EABL and Kenya Maltings Limited was incorporated as an independent subsidiary of the group.

In 2002, the firm signed an agreement with South African Breweries International, Africa (SABI) to swap 20% of the issued share capital of Kenya Breweries Limited, to SABI in exchange for 20% issued share capital of Tanzania Breweries Limited, a subsidiary of SABI. Under the deal with SABI, Kenya Breweries Limited now brews under license, markets and distributes certain of SABI's brands for the Kenyan Market. Tanzania Breweries Limited brews and markets under license a number of Kenya Breweries limited brands as well.

The firm is East Africa's leading branded alcohol brewer and manufacturer and offers an outstanding collection of beer and spirits brands. It has millions of customers served via a network of breweries, distillers and distributors. It is the highest taxpayer in East Africa. The group's diversity is an important factor in delivering the high quality brands to East African consumers and long-term value to East African investors.

EABL has several operating subsidiaries. These include, Kenya Breweries Limited, Uganda Breweries Limited, United Distillers, Vinters Kenya Limited UDV (K), International Distillers Uganda Limited, Kenya Maltings Limited, and Central Glass Industries.

EABL's backward integration strategy is reflected through its operations in two of its businesses. Central Glass Industries and Kenya Maltings Limited. Central Glass Industries is EABL's prime source of foreign exchange. It supplies its glass packaging products to local fresh produce exporters and foreign markets including Rwanda, Uganda, Tanzania, Burundi, Eritrea, Seychelles and Mauritius.

Kenya Maltings Limited is the barley producing and malting firm. It has invested in research, seed production and malting. It runs a barley-breeding programme to deliver improved varieties to farmers with the aim of mutually improving prosperity and sustainability.

EABL has a wide portfolio of brands to fit the broad range and choice of consumers. They include Tusker, Pilsner, Bell lager, Guinness, Tusker Malt lager, Smirnoff Ice, Pilsner Ice lager, Citizen lager, Senator and Allsopps lager. The spirits portfolio includes, Smirnoff Vodka, Popov Vodka, Gilbey's Gin, Three Barrels, Richot Brandy, Bond 7 Whisky, Kenya Cane and Cane Extra. The firm also directly imports and distributes a number of premium brands such as Johnnie Walker, Baileys Irish Cream, Gordon's Gin, Bells Whisky, SIMMs and Captain Morgan. In 2002, EABL expanded its portfolio beyond the beer brands by introducing the carbonated soft drinks market with the launch of Malta Guinness in Kenya.

EABL has undertaken various strategic moves following liberalization of the Kenyan economy. These include the outsourcing the non-core activities such as maintenance, laundry, clearing and forwarding, staff transportation and beer distribution. Beer distribution is outsourced to the logistics firm Tibbet and Britten. A restructuring programme has also been carried out. Key

improvements have been carried out in its brewing technology with the acquisition of new state of the art bottling lines and the introduction of innovative ways of making beer. Significant investment in state of the art brewing technology has been made (Njau, 2000).

East Africa Breweries Limited (EABL) now ranks among the top undertakings in Kenya and one of the largest growing concerns in Africa (Gikiri, 1981). It has an annual turnover of Kshs 30 billion and has the largest share of the beer industry in the region. The firm has been awarded the accolade of the "Most Respected Company in East Africa", five years in a row (2000, 2001, 2002, 2003 & 2004) in a survey conducted by Pricewaterhouse Coopers and the Nation Media Group.

The business environment in East Africa continues to be challenging. This is due to the economic recession, price controls by the government, increased competition from the illicit brew sector, regulation in advertising, changes in taxation policy, among others. The company has to compete if it has to survive the harsh environment. Given such changes and the complexity of the firm's operations, one would expect EABL to have established a strategic planning system unique to its context.

1.3 Problem statement

East Africa Breweries Limited, like all other organizations is an open system (Ansoff, 1984; Porter, 1985; Ansoff and McDonnell, 1990; David, 1999; Pearce and Robinson, 1997; Thompson and Strickland, 1997; Johnson and Scholes, 1999). It exists in the context of a complex environment. EABL is a largely diversified multi-country and multi business organization. Despite the complexity of its setting and the dynamic environment in East Africa, it has recorded

outstandingly profitable operations in the region. It is ranked among the top performing firms in the region. Therefore of importance is the sort of EABL's strategic planning system that makes this organization successful in such a harsh environment.

A number of various studies have been conducted on strategic planning practices in Kenya (Shumbusho,1983; Aosa,1992; Shimba, 1993; Kangoro, 1998; Mbaya,2000; Njau, 2000; Mwaura, 2001; Wanjohi, 2002; Busolo, 2003; Mathenge, 2003). The researchers concluded that there is evidence of strategic planning practices in Kenyan firms. Strategic planning gives the firms competitive advantage and enables them to respond to the environmental turbulence.

There is evidence that EABL carries out strategic planning (Njau, 2000). His study focused on the firm's response to environmental changes and not its strategic planning system. Given the complex nature of its operations, one would expect the planning system at EABL to differ significantly from other organizations due to its many businesses. What kind of strategic planning system has EABL put in place in order to survive?

1.4 Objective of the study

To document the strategic planning system at East Africa Breweries Limited.

1.5 Significance of the study

The results of the study will benefit to the future scholars by stimulating further research to develop a better understanding of strategic planning systems applied in Kenyan organizations. Strategic planners and managers in Kenya will be informed on how different strategic planning systems can be used positively to gain competitive advantage to achieve desirable performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 The concept of strategy

The term strategy is derived from the Greek word *strategos*, which means generalship – the actual direction of military force, as distinct from the policy governing its deployment. The word “strategy” literally means the art of the general. Strategic planning thus began as the art of the general and now has become the art of the general manager (Bryson, 1995). There is a link between military and business as the duties of the general and a businessman are equivalent: Both involve planning and the use of one’s resources in order to meet objectives. Even today, when business strategy can claim substantial and independent body of experience, military imagery continues to influence contemporary strategy analysis.

The concept of strategy is multi-dimensional and has been defined by strategic management scholars in different ways. In business parlance, there is no definite meaning assigned to strategy. Chandler (1962) defined strategy as, the determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals. Strategy is the “common thread” among an organization’s activities and the product - markets (Ansoff, 1965).

Strategy is meant to provide guidance and direction for the activities of the organization. According to Porter (1996), strategy is the creation of a unique and valuable position involving a different set of activities. If there were only one ideal position, there would be no need for strategy. Pearce and Robinson (1997) define strategy as the “game plan” which results in future oriented plans interacting with the competitive environment to achieve company’s objectives.

This definition of strategy is important as it reflects competitiveness in the environment and the game plan aspects, which organizations put into place to be able to compete effectively.

Strategy is one of the most significant concepts to emerge in the subject of management. It has emerged as a critical input to organizational success and has come in handy as a tool to deal with the uncertainties that organizations face. It has aided thinkers and practitioners to formulate their thoughts in an ordered manner and to apply them in practice (Kazmi, 1992).

2.2 Approaches to strategy formation

According to Whittington (1993), there are four generic approaches to strategy formation, namely, the classical, evolutionary, processual and systemic approaches. Each approach has very different conceptions of what strategy is about and how to actually do it.

The classical approach views strategy to be best made through rational analysis. It was developed in the late 1950's and 60's. Early writers include Chandler (1962) and Ansoff (1965). They established the key features of the classical approach: the attachment to rational analysis, the separation of conception from execution and the commitment to profit maximization. Porter, (1986) is also a proponent of this school. Mintzberg (1987), divides the classical approach into three distinct schools of thought namely: *The design school*, *The planning school*, and *The positioning school*. The classical theories have had the most significant impact on how strategy is conceived today.

Evolutionary theorists argue that whatever methods managers adopt, it will be only the best performers that survive. Business survival in a competitive environment depends on strategies of

differentiation. They argue that organizations have limited capacity to anticipate and respond purposively to shifts in the environment. The survivors are those who adapt themselves to the environment. Investing in long-term strategy can be counter-productive. Managers attempting to anticipate change would be wise not to try to outguess the market by investing heavily in a single major plan. Mintzberg (1987), is a major advocate of this approach.

The processual approach to strategy emphasizes that strategy is the product of political compromise, not profit maximizing calculation. Firms are coalitions of individuals each of whom brings their own personal objectives and cognitive biases. The individuals bargain between each other to arrive at a set of joint goals more or less acceptable to them all. In the bargaining process, many compromises and 'policy side payments' are made in return for agreement. Mintzberg (1978, 1987) is among the contributors to this approach.

According to the systemic approach, the rationales underlying strategy are unique to particular social and economic systems in which the firms are embedded. Hence goals and processes reflect the social systems in which strategy is being made. Managers have to be sociologically sensitive to the key elements of the social systems in which they work. Systemically aware managers, in planning moves and counter-moves, will not assume that competitor logics are the same as their own. This perspective challenges the universality of any single approach to strategy.

These four approaches point out to the different views of strategy formation namely, the planned approach that is deliberate, the power behaviour view, the adaptive and the cultural views.

2.3 Strategic management

Strategic management is considered as either decision-making or planning, or a set of activities related to the formulation and implementation of strategies to achieve organizational objectives. In strategic management, the emphasis is on those general management responsibilities, which are essential to relate the organization to the environment in such a way that its objectives may be achieved.

Strategic management is concerned with complexity arising out of ambiguous and non-routine situations with organization – wide implications (Johnson and Scholes, 1999). It is a stream of management decisions and actions that lead to the development of effective strategy or strategies to help achieve corporate objectives. The end result of strategic management is a strategy or a set of strategies for the organization.

Strategic management according Harrison and St. John (1998), is the process through which organizations analyze and learn from their internal and external environments, establish strategic direction, create strategies that are intended to help achieve established goals and execute these strategies, all in an effort to satisfy key organizational stakeholders.

Strategic management as a process consists of different phases, which are sequential: Strategic formulation, strategic implementation and strategic evaluation and control (Johnson and Scholes, 1998).

Strategy formulation is intended to frame all the key strategic issues of the organization through a sequential involvement of the corporate, business and functional perspectives. The tasks include vision and mission specifications, statement of objectives, identification of strengths,

weaknesses, opportunities and threats analysis through environmental scan, internal scrutiny, competitor analysis, industry analysis, market analysis and strategic analysis choice.

Strategy implementation is the process of transforming strategies into actions. Management issues to strategy implementation include establishing annual objectives, devising policies, allocating resources, altering existing organization structures, restructuring and reengineering, revising reward and incentive plans, minimizing resistance to change, matching managers with strategy and developing a strategy supportive culture (Aosa, 1992).

Strategic evaluation and control is concerned with monitoring and evaluating the current plan and then taking corrective action in case of any deviations.

2.4 Historical development of strategic planning

Before the 1950's, the business environment in the world was considered stable. Reliance on planning was based on past actions and trends to decide the future strategic decisions of the business. No major upheavals were experienced in this period and hence extrapolation of past and present information was largely considered fairly accurate. Typically the tools used during this period - included long range planning (LRP), long term financial and budgetary planning, capital budgeting and financial control (Ansoff and McDonnell, 1990).

In the 1950's, organizations were experiencing problems as the environment changed from being reactive to more anticipatory in nature. Extrapolation of past and present information was no longer effective and discontinuities in trends became more visible. The remedy to the problem

was seen in strategic planning and strategic posture management. The 1960's and early 1970's saw the practice of strategic planning firmly embedded in the West and the United States of America. It resulted in a period of relative stability and organizations lapsed back into the old ways of making strategic plans, using forecasting and financial budgeting. It proved useful and effective since the future was considered predictable under the circumstances.

However, in the 1970's and early 1980's the technological revolutions changed the face of turbulence in the business environment. Increased competition in the global arena amplified the turbulence in the business environment. Stunted economic growth also resulted in organizations fighting to survive. This changed the face of strategic planning. The dynamic and volatile situation in the environment rendered the strategic planning techniques redundant. Strategic planning was seen to be inappropriate and ineffective as it failed to link other areas like planning and resource allocation (Steiner, 1983).

The late eighties saw critics of strategic planning arguing that the concept needed to be repackaged and rediscovered (Porter, 1987). It needed not to be done away with as the concept is correct. The implementation process is where the problem lay.

In the nineties, strategic planning has now been viewed as a means of institutionalizing change (Caufield and Sculz, 1993), as strategic planning is a means of facing up to change. It does this by turning external changes impacting on organizations into innovations by the organization (Bryson, 1988).

While it is evident that strategic planning has been evolving in nature, it is clear that there is no uniform approach to planning. Different organizations apply different approaches to strategic planning.

2.5 Levels of strategic planning

Strategic planning in organizations is carried out at three levels: corporate, business and functional levels. In some cases operational level may exist in some organizations, which is synonymously seen as the functional level. The characteristics of strategic planning decisions vary with the level of strategic activity considered. At the corporate level, decisions tend to be more value oriented, more conceptual and less concrete than at other levels. They are more concerned with overall purpose and scope of the organization (Pearce and Robinson, 1997).

At the business level, the concern is how to compete successfully in particular markets and aim at obtaining superior financial performance by seeking competitive positioning that allows the business to have a sustainable advantage over the firm's competitors (Johnson and Scholes, 2002).

Functional level decisions implement the overall strategy formulated at the corporate and business levels. These decisions incur only modest costs because they are dependent on available resources (Pearce and Robinson, 1997). Strategies resultant at this level include: research and development, technology and engineering, supply chain management, manufacturing, sales and marketing, promotion and distribution, human resources and financial strategies among others. Sometimes embedded in functional strategy are operational level strategies concerned with how to manage front line organizational units within a business (plants, sales districts and distribution

centers) and how to perform strategically significant operating tasks (materials purchasing, inventory control, maintenance, advertising etc.) (Thompson and Strickland, 2003).

2.6 Strategic planning systems

Strategic planning systems are the mechanisms or arrangements put in place by organizations for strategically managing the implementation of agreed upon strategies. The systems are themselves a kind of organizational strategy for implementing policies and plans. The systems characteristically embody procedures and occasions for routinely reassessing those strategies (Bryson, 1995).

Several scholars have attempted to provide the different types of strategic planning systems. Harrison (1976) identified seven types of strategic planning systems: financial budgeting, operational planning, production, manpower planning, long range planning, ad hoc strategy formation, formal strategic planning at intervals and routine formal strategic planning.

According to Gluck et al (1980), four strategic planning typologies exist, namely, financial planning, forecast-based planning, externally oriented planning and strategic management. The four types are also sequential phases in development of strategic management. Financial planning consists of annual budgets, gap analysis and static allocation of resources. Externally oriented planning utilizes situational analysis, competitive assessments, and evaluation of strategic alternatives. In this type of planning, there is dynamic allocation of resources. Strategic management, which is the final phase, involves a well-defined framework, where the organization is strategically focused. There is also widespread strategic thinking capability,

coherent reinforcing management incentives and a support value systems climate (Gluck et al,1982).

Gunn (1991) has produced a summary of the types of strategic planning which reflect the chronology of the development of planning systems. These range from the highly structured top-down systems planning to less formalized alternatives such as strategic issues planning and logical incrementalism. In the 1990's the fashion has swung towards the participative and cultural modes. These modes involve multiple constituencies in the planning process and place particular emphasis upon the underlying value systems, which bond people to organizations. Types of strategic planning include systems planning, marketing approaches (industry structure analysis, portfolio analysis and competitive strategy), strategic issues planning and logical incrementalism, political/ participative and cultural approaches. He categorizes trends in strategic planning along three dimensions: in terms of their comprehensiveness of approach, degree of participation and emphasis upon the market.

According to Johnson and Scholes (2002), strategy formulation is equated with strategic planning systems. In many respects they are the archetypal manifestation of the design approach to managing strategy. Such processes may take the form of highly systematized, step by step, chronological procedures involving many different parts of the organization which have sophisticated and extensive planning systems and hence the rational approach to strategy formulation.

Strategic planning systems can be characterized according to variables such as, degree of formality, approaches to strategic planning, source of power within the organization, level of participation, frequency of reviews and degree of flexibility.

The degree of formality can take basically three forms, formal, informal or a combination of both types. However the management style, complexity of the environment and the size of the organization are important factors in determining how much formality is needed.

Approaches to strategic planning do differ and take three forms ranging from top-down approach, which is highly structured, prescribed and detailed in documentation or in management culture. This is often referred to as the classic bureaucracy in large organizations. In the bottom – top approach the role of the principle center, is confined to bringing managerial core competences. It is highly devolved nature. The third approach is the negotiation approach, where strategic planning is a combination of the first two approaches. The center carries the minimum core role through agreeing plans by divisions and departments within central guidelines (Johnson and Scholes, 2002).

Approaches in the planning, point to the source of power within the organizations. In hierarchical formal planning, decision-making tends to be autocratic. Instances where informal planning is practiced, the leadership tends to be described as charismatic. Other possible sources of power include those who control the strategic products, possession of knowledge and skills, for example, computer specialists, consultants, control of the environment and ultimate involvement in the strategic planning process are seen to all greatly influence strategic planning (Johnson and

Scholes, 2002). In the strategic planning process the top management, line management or all the staff maybe involved. This depends on the structure in an organization where functional areas may or may not be involved in the planning process.

The frequency of the development and or amending of strategic plans are likely to cover a broad spectrum in terms of time horizon, that ranges from being never reviewed, moving to periodic review and finally ongoing review process. The users of the information in strategic planning, that is, be it top management, middle management or the entire organization are critical in the whole process and ultimate implementation.

Alternatives to formal planning include informal planning, which is perceived to be more laid back and ad hoc in nature with no set guidelines in place (Pearce and Johnson, 2002). Logical incrementalism, is also an important building block in a continuously evolving structure of analytical and political events that combine to determine the overall strategy. The actual process is usually fragmented, evolutionary and largely intuitive. (Hax and Majluf, 1996). In some organizations, perspectives, (formality and informality) are both integrated.

Though many companies in Kenya have increasingly adopted strategic planning, the practice varies widely across different organizations. This is because there is no homogeneous approach to strategic planning. Every organization will adopt a particular strategic planning system that is unique to the context of the organization where it is practiced. This implies that every firm will have a particular planning process and style based on the approach it takes.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This was a case study of East African Breweries Limited (EABL). It involved an in-depth investigation of the firm's strategic planning system. The choice of EABL was based on the fact that it has continued to carry out profitable operations in Kenya over the years in spite of the constantly changing Kenyan business environment. EABL is a largely diversified firm that is complex in its operations. It is rated among the top performing firms in the region. It is a multi-country, multi business organization that is unique of its kind. EABL must have put in place a strategic planning system suited to its complexity. Similar studies (Kombo, 1997; Njau, 2000; Kiptugen, 2003) have successfully adopted this research design.

3.2 Data Collection

The research utilized both secondary and primary data.

- Secondary data was collected through desk review of the strategic plans and other planning related documents at East African Breweries Limited. This information was used to supplement the information gathered from the in-depth interviews.
- Primary data was collected through in-depth interview investigation. This was guided by a pre-planned, unstructured questionnaire.

The respondents were drawn from top-level management. The kind of information sought required much insight into realities of strategic planning and could only be provided by these persons. Research instruments can be communicated by personal interviews, telephone, mail or

the computer (Emory, 1995). The mode of communication used in this study was personal interviewing. This allowed for flexibility of data collection. The researcher administered questions, explained and clarified difficult questions using unstructured techniques. These techniques allowed for a vast amount of data to be collected.

For this study, the researcher was required to carry out long interviews as many variables were being investigated. For most issues raised, supplementary information was required. Seven senior managers were interviewed for this study.

3.3 Data Analysis

The nature of data collected was qualitative. The questionnaires were edited and checked for consistency. Data was then analyzed qualitatively using content analysis. These descriptive analytical techniques have been used in related studies in the past including, Steel and Webster (1992), Kombo (1997), Njau (2000), Mwanthi (2001), Kandie (2001), and Kiptugen (2003).

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The collected data has been analyzed and interpreted in line with the objective of the study, namely to investigate and document the strategic planning system at East African Breweries Limited (EABL). Both secondary and primary data were collected.

Secondary data was collected by examining planning related documents such as strategic plans, financial statements, planning templates, planning timetables and minutes of meetings. Primary data was collected using an unstructured questionnaire attached in the appendix. The questionnaire consisted of four sections, A, B, C and D each of which carried different sets of questions for the group managing director, the strategy manager and the business development manager, and the heads of business units respectively. The sections were unstructured to help the researcher to interpret the findings.

4.2 The Respondents profiles

The respondents in this case are part of the top management of East African Breweries Limited. They have been involved in both strategy development and in the actual strategic planning. Most of the respondents have held senior management positions at EABL for over five years. Thus, contributions to the planning system are drawn from a broad pool of experience and knowledge.

3 The strategic planning process

Corporate strategic planning is usually a company wide activity that starts in November. Thirty senior managers converge at a strategy workshop to assess the current vision, the current situation and to determine whether the business is focusing on the right strategic areas to deliver growth in the foreseeable future in 3-5 years. The group strategy manager drives the whole process. An assessment of whether the business strategies are going to deliver the kind of performance expected is also carried out. This conference helps the business to ensure that it has the right strategies. Big ideas are generated which are tied to the vision from Diageo International.

Questions arise as to whether the right infrastructure is present and whether the right frame of mind is in place in order to be able to deal with the big picture sufficiently. All the team members then get an alignment. Once the picture is clear, the team thinks through it, to determine if the idea is an appropriate way of doing business and whether the required resources are available.

Between January and February, each business unit is thereafter sent two sets of templates to fill out. One set summarizes the strategy while the other is a financial template in excel that builds up the strategy into financial numbers. The financial numbers are volumes, costs and overheads related to brands.

Once the templates are filled out, they are subjected to Challenge and Build sessions conducted at the group level. During these sessions, by assessing costs and volumes the plans are

challenged and suggestions for improvement are made based on mutual agreement. The templates are then consolidated at a group level and then collated across Diageo Africa for further consolidation after which they are sent to Diageo International in London.

The group's managing director, strategy manager, and finance director then travel to London to make a presentation on EABL's strategic plan for the year. Though the actual plan covers three years, the presentation only concentrates on the first year. The figures for the subsequent years are based on forecasts around key economic parameters such as GDP growth and inflation. The numbers for the first year are grounded with facts that would influence the strategy. It is from this information that a three-year plan is developed.

Between March and April, strategic planning is approved while budgets are developed in May. Budgets are detailed versions of the first year plan. Though there is a three-year plan, more detail is put on the first year. The budget is approved by the EABL board in around the month of May during the board meeting. On July 1st, the budgets are then implemented.

The strategic planning process is no longer viewed as an event but as a financial plan. Strategic development is an ongoing process because strategy happens all the time though every once a year, financial numbers are put around the strategy that is developed.

4.3.1 Key steps in strategic planning

The key steps in the process at EABL are summarized in the table below.

Table 1: Key steps in corporate strategic planning

(i)	Setting the vision and mission for the business
(ii)	Setting of year term objectives
(iii)	Deciding on the major initiatives that will deliver the Year- term objectives
(iv)	Building strategies into financial numbers and consolidation at group level
(v)	Budgeting and approval by board of directors
(vi)	Implementation
(vii)	Evaluation and control

Source: Research data

It can be deduced that EABL has established a formal procedure for strategic planning. Planning activities are systematic and comprehensive. Strategic planning at EABL is putting financial numbers to the strategy already developed. The strategic plan is a financial plan that is purposively decided and written down. This is evidenced by the use of pre-planned financial templates to build the strategy into financial numbers. A consensus has to be reached before the plan is approved at the group level during the challenge and build sessions.

4.3.2 The strategic planning cycle

The strategic planning cycle for EABL is three years. EABL prepares several plans. A comprehensive three-year strategic plan is prepared. Every year, a more detailed plan for the first year is prepared which builds up the strategy into financial numbers. The figures for the subsequent years are based on forecasts around key economic parameters such as GDP growth and inflation. The planning cycle was changed from a five to a three-year cycle in February this year. The change was necessitated by the need to project more realistic financial forecasts.

4.3.3 Strategic planning timetable

The group strategy manager sets the timetable once instructions have been received from Diageo.

TABLE: 2 Strategic planning time – table

Month	Activity	Participants
November	Strategic planning instructions are sent from Diageo Africa	Strategy workshop by senior managers
January-February	Business units receive templates to fill in order to convert the strategy into financial numbers	-Business Units -Unit heads -Functional Managers -Supervisors
March -April	-Consolidation of all information at group level - Approval of strategic plans	Top management at the center
July	Implementation	Company-wide activity

Source: Research Data

3.4 The role of the group managing director and board of directors in strategic planning

The group-managing director is the owner of EABL's strategic plan. He looks after the strategy of the business and its day to day running as a whole. He represents the group London at the time Unilever International sets the mission. He signs off EABL's group's strategy once it is developed. He challenges the business unit group-managing directors to come up with their own plans, which are aggregated by the group business performance manager. He has a dominant influence over the plan. The group-managing director spends about 70 % of his time in strategic planning and implementation of the current strategy.

The board of directors generally guides management direction and provides feedback about their presentation of the future. The board approves and also challenges the group's strategic plans. The board of directors has a minimal influence in strategic planning.

Although it involves participation by a number of people, the group-managing director plays a key role in the process. The board of directors has minimal influence in the process.

1.3.5 Planning tools used

The tools used in strategic planning are pestel analysis, industry analysis, portfolio analysis, financial analysis, gap analysis, swot analysis, risk analysis and competitor analysis. A tailor made planning template in excel is utilized as well. Marketing research is widely used to produce monthly retail audits, and the annual consumer attitude survey.

Strategic planning at EABL is a company wide process that is highly formalized, logical, planned and systematic. A heavy emphasis is placed on rational analysis, which utilizes a wide range of tools. The strategic plan is a one-year financial plan. Every year financial figures are put into the strategy that is already developed. The exercise is participative.

3.6 Involvement of key personnel

The time spent by the key personnel varies from person to person. The group-managing director spends about 30% of his time thinking about the current strategy, 40% of his time is utilized in thinking about the future of the business and 30% on day to day running of the organization. The group strategy manager spends 50% of his time on developing strategic initiatives and the rest of the 50 % is spent in helping the business to deliver on the strategy. The Group finance director and group business performance manager both spend about 30% in actual planning, and about 70% thinking about current strategy.

The marketing and sales function was given the most emphasis in the preparation of the current strategic plan. This function comes up with volumes that provide the basis for the sales forecast at the time when they prepare the brand strategic plans. Other internal functions considered at the corporate level are finance, human resources and operations. The top management expends a considerable amount of time on strategic planning. The marketing function provides the greatest contribution to strategic planning. All the major functions are involved.

4.3.7 The planning approach used in setting vision and mission

In setting the current vision, a team of 20 senior managers was involved and a consultant was engaged in facilitating the process. A broad environmental analysis was conducted to frame the key issues and the changes likely to take place that would fundamentally have an impact on the corporate strategy. Strategic imperatives they felt they needed to concentrate on were highlighted. A picture was painted of the world for the last 5 years, the present world, and 5 years into the future. It was in the light of this picture that the mission and vision were crafted. The vision at EABL is the basic guiding statement and the ideological selling point. It is set for 5 years.

EABL's mission is set to define how the business would go about achieving the vision. The company's mission is broken down into blocks of activities that the business sets out to do within about 18 to 24 months. There are several missions based on the activities required to get to the vision. By breaking down the mission, performance can be assessed in terms of how the environment has turned out over time, allowing the strategy to be revised. The mission is then tested at the business unit level to gather feedback as to whether it is stretching enough, sufficiently challenging and motivating before the annual strategy workshop is held after which it is refined. It is signed off at the strategy workshop after which the missions at the business level are developed.

The approach used at EABL in setting the vision and mission is participatory combining both top-down and bottom-up styles. Thorough environmental analysis precedes formulation of the vision and mission. The mission is broken down into blocks of activities to facilitate

measurement. These blocks of activities are actually goals in the conventional sense but at EABL are termed as missions. They are further expressed in terms that can be measured.

4.3.8 Mechanisms for ongoing evaluation and control

Evaluation is carried out on a daily, weekly, monthly and yearly basis on both internal and external factors likely to change to impact its strategy significantly. Such changes are pre-identified so that adjustments can be determined and initiated. A dashboard mechanism is used to review performance against the actual plan. It also reports on how the business is performing against the strategy. Performance objectives are also set upon which performance is evaluated.

On a daily basis an ongoing, broad based vigilance is carried out in all operations that may uncover information relevant to the firm's strategy. Factors such as inflation, taxation, social changes, regulation among others are constantly monitored. Monthly reports are prepared where actual results are assessed against the actual plan. Managers also carry out milestone reviews.

There is a thorough special alert control system that involves an often-rapid reconsideration of the firm's strategy because of arising sudden and unexpected events. In such cases management prepares quick meetings where they, normally stop, think and decide on the way forward. Control is carried out at executive meetings and at each operations unit where remedial action taken.

The group business performance manager is charged with the responsibility of tracking the financial performance of the group against the three-year strategic plan. He tracks how the

Business is performing against the mission at a group level. Once the first year is over, he prepares a report for the top management to use in vision making. In his report he flags the areas that need to be addressed.

EABL also uses benchmarking against best practices from other companies in the same industry, such as South African Breweries International. Benchmarking is based on standard key performance indicators. EABL's evaluation and control system is designed to check systematically and continuously whether the assumptions or predictions on which the strategy is based are still valid. Performance is evaluated against key performance indicators. The system focuses on both the external and internal aspects of the business. The system is also flexible enough to address any unexpected events. The use of benchmarking against firms in similar industries helps the firm to improve on performance standards.

3.9 Creativity and innovation planning

In order to enhance creativity and innovation, certain changes have been made within the planning process. These include, reduction of the planning cycle from 5 to 3 years, de-linking financial planning and strategy development. Strategy development is therefore not an annual but a continuous process. This change enhances creativity in terms of developing strategies that would help the business to achieve superior performance.

From a process perspective, the strategic planning process is now streamlined to being shorter and less cumbersome. Strategic planning was previously seen as a form filling exercise where strategy was viewed synonymously with strategic planning. Strategy at EABL is about how the

business can grow and deliver profit while strategic planning is about putting the strategy into financial numbers in order for the business to deliver the returns. A bottom-up approach is used collecting new ideas for the business. There are also recognition and reward schemes for people who contribute to new sustainable ideas. Through the firm's performance management based system, incentives provided are linked to strategy.

ABL has put in place mechanisms to enhance creativity in the process of strategic planning. The changes that have been installed make the process shorter. Further, strategy development is also integrated into every day aspects of work for everyone in the organization. The dashboard mechanism ensures there is a link between performance and vision as well as performance and strategy. Incentives provided motivate the people to be more creative to reinforce the performance based culture of the business. This enhances creativity and innovation in the whole process.

4 The business planning process

Business planning commences at the annual November strategy workshop where all senior managers converge to rethink about the mission of the business. These include the group-managing director, all senior managers at the group level, managing directors of the units, general managers, and all functional directors. A broad framework is provided in terms of both external and internal factors in order to get the big picture understood. Joint decisions are then made on what each business should deliver. The output of the strategy workshop is what every business should do to contribute to the overall mission.

The master frame-work is taken into the business units to be grounded in order to develop the 3 year business plans. The functions and operations staff are all involved in translating the corporate mission to their businesses. They establish the part each function will play in order to keep the strategic thinking at the corporate level.

The strategic business unit heads steer the whole business planning process. They grant the people the autonomy to set out activities to fit into the mission that they have developed. Creative sessions, departmental meetings and workshops are then held to set out five key things to be done in key areas in order to achieve the mission.

After the five key things have been defined, the marketing team comes up with a GAME plan which is built around products. It aggregates the activities into business volumes. GAME stands for: Goals, Activities, Measurement and Evaluation. It is from the game plan that each business comes up with its annual plans, activities and volumes. At every stage in the planning, different types of analysis using various tools will be carried out depending on the type of information required. Game plans are then subjected to other business units to solicit agreement on what each business plans to do. Each business unit evaluates the Game Plans of other businesses in order to assess whether they are appropriate. The plan numbers then go through the Challenge and Build sessions at the group level. The plan is challenged in terms of the key performance indicators based on the group's heads perception on how the economy is growing. After a consensus is reached during these sessions, the business units have to prepare the final figures. At this stage, a strategy at the business level can be developed from which other operational plans can be based.

The plan is concretized in the month of February during which time some ideas developed from the strategy workshop will probably have been tested. By the time the financial numbers are being built, a lot of thoughts have gone into the ideas. Budgets are then prepared and finally approved.

4.4.1 Key steps involved in business planning

The key steps in business planning correspond to the steps in the corporate planning process outlined in the following table.

Table 3 : Key steps involved in business planning

(i)	Mission setting
(ii)	Template filling
(iii)	Game planning
(v)	Budgets and approval
(vi)	Implementation
(vii)	Evaluation and control

Source: Research data

4.4.2 The planning cycle

The business planning cycle is three years. Detailed business plans are prepared for three years and more specific business plans termed as operating budgets for one year. These one-year plans

are termed as operating budgets. Operating budgets are approved in May before the financial year begins in July when they are implemented.

4.4.3 Factors considered when preparing the current business plan

Both internal and external factors were considered in the current business plan. External factors include the political, economic, social, technological and legal factors, competition and corporate governance. Stakeholders groups considered are the end consumers, the customers, shareholders, suppliers, the media, lobby groups, employees, board of directors and the society. Internal factors considered are the, business ethics, brand health, current market share, market research findings, size, production capacity and available finances.

The business planning process at EABL follows a well-framed, rational, analytical logical and systematic process. It involves top management, functional and operational levels of staff. Decisions are made jointly and each business unit is at liberty to frame the key things needed to be done in order to play their role effectively. There is dialogue between the corporate planning level and the business level. There is also peer evaluation across the other business units to ensure consistency. A wide range of both internal and external factors influences business planning. All the key stakeholders influence business planning.

4.4.4 The linkage of corporate and business planning

The business missions are aligned to the group's missions and are very clearly articulated. There is one strategy document for the entire business termed as the 'Mission for EABL'. This document breaks down into different businesses specifying what each single group will deliver.

Another similar document outlines a more consolidated mission reflecting EABL growth and the business growth for each segment. Part of the group managing director's deliverables would become the goals for the business unit levels. At the business unit level, this is broken down into various goals. The system is linked up to the functional level. The whole system is interlinked with cascaded activities.

4.4.5 Participation in the planning process

The entire strategic business unit heads participate at the time EABL is concretizing its own mission as a group. The group-managing director provides the overall business framework and the strategic business unit heads then establishes what needs to be done to move the business to the next level. All strategic business unit heads, general management and functional heads participate in the annual strategy workshop. Their role is to understand the mission Diageo International has set for EABL and to align their businesses it.

The strategic thinking is well framed at the corporate level for everyone at the business level to understand. Involvement of staff at the business level in strategic planning goes down beyond the functional level to the supervisors. The strategic planning system is fully integrated at both levels. Key players in business planning also participate in corporate planning. The mission and all other activities are cascaded down to the operational level.

4.4.6 Use of planning techniques

Wide ranges of planning techniques are utilized. These include strengths, weaknesses, opportunities and threats analysis, (swot) whose output is risks and opportunities, financial

analysis, variance analysis, competitor analysis, industry analysis, consumer research which aids in carrying out portfolio analysis, environmental analysis using the pestel framework, risk assessment tools, market research and the dash board mechanism which is applied in tracking performance. The business also utilizes a tailor made excel computer model on which the planning templates are based. There is a risk department that that reviews risks around projects. These tools are utilized at different stages in the planning process depending on the type of information that is required.

EABL applies a wide range of tools and techniques in planning. This implies that the business places heavy emphasis on analysis at every stage in its strategic management.

4.4.7 Involvement of key personnel

All senior managers at the business unit level normally think through strategy in their normal day-to-day execution of business roles. Strategy is integrated into their everyday work. Time spent in the actual planning which is more geared towards financial planning ranges on average between 7% to 10%.

Strategic thinking is an everyday activity at EABL. Strategy is integrated into the everyday aspects of the work of the key persons. Actual planning, which is building figures to the strategy already developed, is the only planning event for which only a small fraction of their time expended. Participation is intense and everybody is linked to the other.

4.4.8 Functional Orientation

The major functional areas considered at business planning level include marketing, production, finance, procurement and human resources. However, the local human resource manager is not involved in some units at this level. The marketing and sales function is the most critical because brands are a major business driver. Other critical functions involved are technical operations and finance.

Business planning is a cross functional-team exercise involving marketing, finance, general management, group strategy manager, and new product development.

4.4.9 Evaluation and control mechanisms

There is an efficient business intelligence system that gathers data on pertinent issues taking place in the environment. The businesses also closely work with stakeholders to manage their expectations vigorously.

Evaluation is carried out on daily, weekly, monthly and after every three months. Weekly operation meetings are held to investigate variances for operations, monthly management meetings are held to discuss results. The system also has an in built mechanism of internal checks. The group business performance manager visits the units every month to evaluate performance. He takes up any alarming issues.

Monthly business performance reviews are carried out where macro economic factors are evaluated. The review also evaluates financial performance against budget. Variance analysis is

carried out and every manager is held responsible for variances. Other areas evaluated include, supply performance, risk, quality and on the production side - volume aspects related to usage. The evaluation is carried out for the year to date.

The dashboard mechanism utilized that tracks events after every three months. It facilitates milestone reviews showing how the business is performing against every milestone for each month. It evaluates how the business is performing against the plan and against the business strategy. Control procedures are flexible. Contingency plans are prepared for every concrete activity that needs to be done. If market dynamics change, major decisions can be made within no time if the particular issue is mission critical.

At the business level, mechanisms for evaluation and control are proactive. They provide the businesses with a basis for adapting the actions and directions to the changes taking place. They focus on both strategic and operational aspects of the business. The control system is flexible enough to deal with any unexpected events.

4.4.10 Creativity and Innovation

There are innovation teams, which study research data meticulously to gain clear insights in order to come up with new ideas. By studying data the team can detect any changes early enough. The Challenge and Build sessions held are also designed to enhance creativity. The system encourages people to contribute business ideas through workshop forums, informal meetings and suggestion systems.

EABL has managed to build a very aggressive culture allowing it to adapt to business challenges. The business model keeps on changing in order to adapt to the changes in the environment. However, there are no incentives provided to individuals who contribute creative and innovative sustainable ideas.

4.4.11 Major challenges experienced in strategic planning

EABL as a group undertakes diverse projects at the same time, which results in a lack of clear focus. The international nature of the firm makes the whole process complex because of having to deal with multiple environments. Co-ordination problems are also experienced between the center and the business unit level. This hinders timely reporting. There also challenges related to cost allocation and explanation of variances.

The multi-business and multi-country nature of EABL creates complexities at different stages of the strategic management process. These challenges are experienced at the strategy development stage, during implementation and during evaluation and control.

4.5 Conclusion of findings

At East African Breweries Limited, the strategic planning system is composed of two key phases. The first phase is *strategy development* a continuous process, which is more informal and lacks a well defined framework. The *strategic planning process*, which is the second phase, is an annual event. It is, rational, analytical and highly formalized. The outcome of both processes is the strategic plan. Strategic planning takes place at two levels in the business, both at the corporate and the business levels.

The strategy development process is a continuous process which. There are three aspects to strategy development, namely: Business as usual, strategic initiatives and new ideas.

Business as usual includes the strategies that the business is already undertaking. They are the activities already reflected in the strategic plan in numbers. In the business as usual, if the strategy is not working, plans have to be reassessed and developed to ensure that the strategy works.

New strategic initiatives are the new activities that the company will be working on that will deliver growth in the future. These are part of the strategy though they are in flight initiatives that have not yet been grounded into numbers. If the strategic initiatives are off track, the system ensures that they are brought back on track.

New ideas for the future are based on the company's vision. Mechanisms to collect new ideas in the organization are in place. Strategy development combines a future oriented perspective as well as the current perspective of the business. Hence the role of strategy at East African Breweries Limited (EABL) is to think through these three key phases.

Table 4 : Strategy development at East African Breweries Limited

Beginning of year one	End of year one	Beginning of year two
Business As Usual	New Strategic Initiatives	New Ideas

Source: Research Data

Strategic initiatives and new ideas are not considered in business as usual in the three-year strategic plan that is usually prepared because they are still in flight. Once a whole year has been completed and the business as usual initiatives have been delivered, new ideas will be required. Such new ideas will have become crystallized into strategic initiatives, while the strategic initiatives will become business as usual. The strategy development process hence develops strategies for the business as it is running presently, strategies for the future of the business already identified and new ideas for the future that will deliver growth.

In strategy development, there is no clear or well-defined framework. The strategy development process combines both a future oriented perspective as well the current perspective of the business. Experience and intuition play a key role in the formulation of strategy. It is not solely driven by the future but by the gap between the current reality and the intent for the future. It connects with the past, with the present and links this to the future.

EABL's strategic plan is the outcome of the planning system which is composed of the two processes namely, the strategy development process and the strategic planning process. This is illustrated as follows:



Source : Research data

Taking a closer look at the planning system for EABL, the planning process is a typical manifestation of the classical approach to strategic planning where a rational, logical and analytical approach is applied. The planning process also reflects the four types of planning typologies as outlined by Gluck et al (1980) namely, financial planning, forecast based planning, externally oriented planning and strategic management. The strategy development process that is less formalized, flexible and is integrated into the everyday aspects of work is in line with the emergent school of strategy. The emergent view which is informal, lays emphasis on the behavior of people in the organization, it recognizes the importance of bargaining and negotiation in the strategy making process. This is further evident in the research.

CHAPTER FIVE : CONCLUSIONS AND RECOMMENDATIONS

This study focused on strategic planning at East African Breweries Limited (EABL). The study had one objective, namely to investigate and document the strategic planning system at East African Breweries Limited. To provide this information, seven interviews were conducted. The respondents are highly experienced executives who are involved in strategic planning.

Aspects of the strategic planning system investigated were the planning levels, process, the planning approach, level of involvement, planning horizon, the role of group managing director, creativity and innovation in planning and the challenges experienced in the planning process.

This section thus summarizes the findings of the study by highlighting the major findings.

5.1 The strategic planning system at East African Breweries Limited

EABL's strategic planning system is in two key phases, namely strategic planning and strategy development. The strategic planning process, which is the actual planning, is a highly formalized, annual event where numbers are built on the strategy already developed, which is a financial plan. The approach to the process is thorough logical analysis. It utilizes many sophisticated analytical techniques. This view fits in more closely with classical approach to strategy and more specifically, the design school to managing strategy.

Strategy development on the other hand is less formalized and integrated into the every day aspects of the work that managers do. It is a continuous process because strategy happens all the time. Experience and intuition also play a major role in strategy development. This framework closely ties to the emergent view of strategy where strategy making is more flexible and

informal. Hence, EABL's planning system takes a balanced view of its surrounding world by integrating business experience with intuition with rigorous analysis. It reflects the value of cumulative experience and a holistic approach to problem solving. Hence the two views to strategy making: Design and emergent, largely coincide at EABL.

EABL recently shortened the time dimension of strategy formulation from 5 years to duration of 3 years. The reason necessitating this change was to help the business come up with more realistic and pragmatic forecasts.

The group-managing director plays a dominant role in strategic planning and is a very influential figure in providing the right culture. He spends a considerable amount of executive time thinking about strategy. His role is necessary in providing sufficient direction to allow for the diverse interests of all the group's stakeholders. His leadership approach however, is participatory. Business units are given autonomy to formulate strategies within central guidelines in a way that encourages management creativity. The board's influence is minimal.

The planning approach is highly structured, prescribed and with detailed documentation and at the same time confined to bring out managerial core competences by gathering ideas from the bottom. It is hence a combination of both top-down and bottom-up styles. This balance of styles is necessary because EABL has a number of operating subsidiaries each with its own identity, yet some consistency is required in maintaining a common corporate culture.

The company makes use of diverse sophisticated tools in planning. However, much emphasis is placed on marketing research and financial analysis tools. EABL has attempted to give as many

executives as possible the opportunity to be a part of the strategy process. The annual strategy workshop held to rethink strategy involves managers from the top level up to functional level. Besides, the strategy development process is a continuous process integrated into the everyday aspects of work and hence managers and staff think strategy all the time. At the business level, the operatives are involved.

At EABL, strategies at different levels of the business are interrelated. All the parts of the business work to accomplish the over-riding EABL's corporate mission, which is the top-down approach element. At the same time, EABL's corporate strategy builds upon the strategies at the lower levels in the hierarchy, which is the bottom-up element of the strategy. The dashboard mechanism links strategy with performance.

EABL has a proactive, ongoing evaluation and control process that reviews both the strategic and operational aspects of the business. Implementation of results is routinely and rigorously measured. Tracking its performance as well as the identification and analysis of ad hoc events such as competitor actions and customer inputs does this. Benchmarking is carried out against firms in similar industries. The examination of the present situation becomes a learning process for the entire business.

The strategic planning process is shorter and less cumbersome as strategy development is de-linked from strategic planning in order to enhance creativity. Creative methods for encouraging breakthrough thinking are used to collect data such as informal discussions, open mail, and scheduled processes such as, strategy workshops and methods. The system allows tremendous

amount of communication and interaction around ideas and possibilities from the ground, middle management, and senior management. At the corporate level, incentives are tied to strategy. There is also a structured team process in place. Challenges identified in the study all relate to the EABL's complex and diverse nature.

5.2 Conclusions and recommendations

From the discussions above, it emerges that EABL has put in place a strategic planning system unique to its context that runs in its own characteristic way. Strategic management methods and styles vary enormously between companies. For EABL, the strategic planning system combines the conventional strategic planning which focuses on following pre-programmed rules with creative, divergent thought processes to develop new ideas and designing actions on the basis of new learning.

The choice of what type of planning system an organization puts in place to formulate strategy ranges from informality, to the adaptive approach and to the highly formalized systems of planning strategy typically applied by the large multinationals. However, different degrees of formality can be found within the same organization which is the case at East African Breweries Limited.

Factors such as the organizational size, complexity, degree of competition, the need for internal consistency, and the need for comprehensiveness will determine how formal or informal a planning system will be. A firm that values strategic planning will view it as an on-going process to ensure a competitive fit between the firm and its turbulent environment. The success of any

business will largely depend on the quality of strategic planning system in place. The road to success will be determined by the quality of management in such an organization.

At EABL, a heavy emphasis is placed on through analysis of the environment. The marketing function is a key input to the corporate planning process. This is evidence of a marketing orientation within the business. Market research and consumer research feed the strategic planning process with key information. The voice of the customer is thus embedded into the planning process by listening to the customer's voice and directing it towards strategic imperatives on which the business should focus.

The study also found out that there have been changes within the business in the planning system over time. EABL, being a performance driven organization continues to improve its planning activities to achieve better performance. The business model keeps on changing in order to keep up with the changes taking place in the environment. However, strategic management for a large business of the size like EABL is not without its complications and challenges. This is due to the complex nature, size, different environments and multiple businesses that pose problems during the strategic formulation and implementation.

In addressing some of the challenges, EABL ought to consider providing coherent, reinforcing management at the business level. There is also need to enhance a support value systems climate. Computer based software models such as Microsoft project could be utilized in managing projects more effectively. Although contingency plans are always prepared, management could also incorporate scenario planning as another tool to be used in developing future trends and in

identifying probable future variables and events.

5.3 Limitations to the study

The study was carried out within limited time and resources. This constrained the scope as well as the depth of the research. In addition, because the research utilized a case study design, the findings cannot be used to make generalizations regarding planning in diversified firms in Kenya.

5.4 Suggestions for further research

A further study can be carried out to investigate the nature of strategic planning systems in other large diversified firms. Alternatively, a cross sectional survey covering a number of broadly diversified firms could be conducted to allow for generalizations to be made.

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APPENDICES

Appendix 1: Letter of Introduction

Dear Respondent,

RE: MBA Research Project

I am a post graduate student at the University of Nairobi doing a research as part of the requirements for the degree of Master of Business Administration (MBA).

The research project aims at studying strategic planning at East African Breweries Limited. The objective of the study is to investigate on the strategic planning system at EABL.

The information collected will be used only for academic purposes and will be treated confidentially. Your name will not be mentioned in the report. Where possible a copy of the research project will be availed to you on request.

Your assistance and cooperation will be highly appreciated.

Wangechi Muriuki

MBA Student

APPENDIX 2 : INTERVIEW GUIDE

SECTION A: RESPONDENT'S PROFILE

Position Held in the company.....
Department.....
Years of experience in the company.....

SECTION B (Respondent: Group Managing Director)

OVERVIEW OF THE STRATEGIC PLANNING PROCESS

Describe your corporate strategic planning process and the structures in place.

.....
.....
.....

) Describe the main steps.....

.....
.....
.....

What is your planning cycle?.....

.....

e) Do you have planning timetables and who are involved in setting them? What are the deadlines?.....

.....
.....

INVOLVEMENT IN PLANNING

) What role do you play and how much time do you commit in the process of corporate strategic planning?

.....
.....

) What are challenges/ problems experienced in corporate strategic planning?

.....
.....
.....

SECTION C (Respondent: Group Strategy Manager and Business Development Manager)

CORPORATE PLANNING PROCES

Describe your corporate planning process

.....
.....
.....
.....

a) What are the main steps?.....

.....
.....
.....

b) What is your planning cycle and what are the deadlines?.....

.....
.....
.....

c) Describe the planning tools that were used in developing your current strategic plan

.....
.....
.....
.....

INVOLVEMENT OF KEY PERSONNEL

2) On average how much time do the key personnel spend in strategic planning?.....

.....
.....

Which functional areas were considered in the preparation of your current strategic plan?.....

.....

PLANNING APPROACH

3) Briefly describe your general approach in setting the mission and objectives.....

.....

ONGOING EVALUATION AND CONTROL

4) Describe the mechanisms in place for strategic evaluation and control

.....

CREATIVITY AND INNOVATION IN PLANNING

5) What mechanisms do you have in place to enhance creativity and innovation in planning?.....

.....

6) What factors were considered in the preparation of the current strategic plan?.....

.....

What are the major challenges experienced in the process of strategic planning?.....

SECTION D

Respondents : (SBU Heads)

BUSINESS PLANNING PROCESS

Describe your business planning process

What are the main steps?.....

What is your planning cycle and what are the deadlines?.....

What factors were taken into account when developing your current business plan?

LINKAGE OF CORPORATE AND BUSINESS PLANNING

How are your mission, objectives and targets linked to the corporate planning process?

Do you play any role in the corporate planning process? describe.....

Describe the mechanisms used to integrate the both corporate and business planning

.....

USE OF PLANNING TECHNIQUES

6) Describe the tools used in developing you current plan.....

.....

INVOLVEMENT OF KEY PERSONNEL

6) On average, how much time do the key personnel spend in business planning and to what extent are they involved?.....

.....

FUNCTIONAL ORIENTATION

7) Which functional areas were considered in the preparation of your current strategic plan?.....

.....

ONGOING EVALUATION

8) Describe the mechanisms that are there in the current business plan for strategic evaluation.....

.....

FOCUS ON CONTROL

9) Describe the mechanisms in place for control

CREATIVITY AND INNOVATION

10) What measures have you put in place to enhance creativity and innovation in planning?.....

.....
.....
.....

11) Describe any problems or challenges experienced in business planning.....

.....
.....
.....

Home of East Africa's Finest Beers

East African Breweries Limited is East Africa's premium beverage Group dedicated to delivering world class beer to the market. EABL is the largest brewing Group in East Africa with an annual turnover of Kshs 30 Billion and is has the largest share of the beer industry in the region



EAST
AFRICAN
BREWERIES
LIMITED

what we stand for

Our business activities affect the lives of millions of East African people – either as consumers, employees, investors, neighbours or business partners. As a result we have a duty to all those with a stake in our business to be a responsible corporate citizen.

What is corporate citizenship?

Being a good corporate citizen involves all the ways in which our business and products interact with society and the natural world, and encompasses the balance between acting responsibly and the right to trade freely. It includes ethics, governance, relations with employees, customers, consumers and suppliers, communities, health and safety and the environment. To be most effective, we focus our efforts on areas where our business has the greatest impact – particularly social responsibility and alcohol – and where our efforts can have the greatest benefit.

While retaining our close connections with local culture, society and markets in East Africa which stretch back more than 80 years, we benefit from belonging to a well-respected international family of businesses. Our international affiliation with Diageo has expanded our vision of what it means to do business responsibly. For us, being a good corporate citizen is a natural part of doing business. As with all business activities, we rigorously manage, measure and evaluate our progress against these values and policies in addressing our impacts on the region – its economy, society and natural resources.

Our values

In everything we do, we begin by living our values:

- **Proud of what we do:** We act sensitively with the highest standards of integrity and social responsibility. We enjoy and benefit from diversity.
- **Be the best:** We set high standards and try hard to exceed them. We deliver results, win where we compete and celebrate our success.
- **Passionate about consumers:** We're innovative, constantly searching for new ideas that drive growth and developing them across the business.
- **Freedom to succeed:** We give ourselves and each other the freedom to succeed because this fosters an entrepreneurial spirit.

Engaging with stakeholders

We define our key stakeholders as those people – individuals and groups – with an interest in, or affected by, our business or our operations: consumers, employees, shareholders, customers, suppliers, government and the community. We keep informed of the issues which concern these groups by engaging with them on matters of mutual importance, which may include corporate citizenship issues. Comments can be submitted through

our web site, www.eabrew.com. We carry out research each year among the general public to record opinions on our activities and perceived impact. We publish an annual report for shareholders, hold an annual general meeting and additionally present the group's performance to major investors twice a year. We have frequent meetings with government officials. It is part of our sales and marketing teams' job, to routinely do trade visits to receive feedback from retailers and distributors of our brands. Finally, we keep employees informed through quarterly newsletters published by each group company and receive feedback through a variety of consultation mechanisms. We will continue to develop opportunities for taking into account the key concerns of our stakeholders and welcome suggestions as to how we might best achieve this.



Our codes and policies

We benefit from a comprehensive collection of world-class codes and policies which set the standard of corporate citizenship in our industry. These often go further than local or national legislation and are regularly reviewed to ensure that they continue to address the legitimate concerns of stakeholders and are in line with best practice.

Code of business conduct

This code sets standards on conflicts of interest, competition law, insider trading, corrupt payments, money laundering and other illegal acts.

Code of marketing practice

This code sets standards for the responsible marketing of our products, including naming, packaging, advertising and promotion.

Human rights policy

This policy covers the standards of treatment an employee can expect from the group, including the working environment, dignity at work,

life balance, employee engagement, release potential, and rewarding and valuing people.

Environmental policy

Covering management and standards in each of our main environmental impact areas, the policy ensures that all companies in the group continue to be challenged to keep improving their environmental performance.

Supplier standards

The standards show how the high levels we aspire to in our own behaviour are reflected in the expectations we have of our suppliers. We

are currently considering the best way to engage with our suppliers and encourage them to phase in these standards of citizenship.

Employee alcohol policy

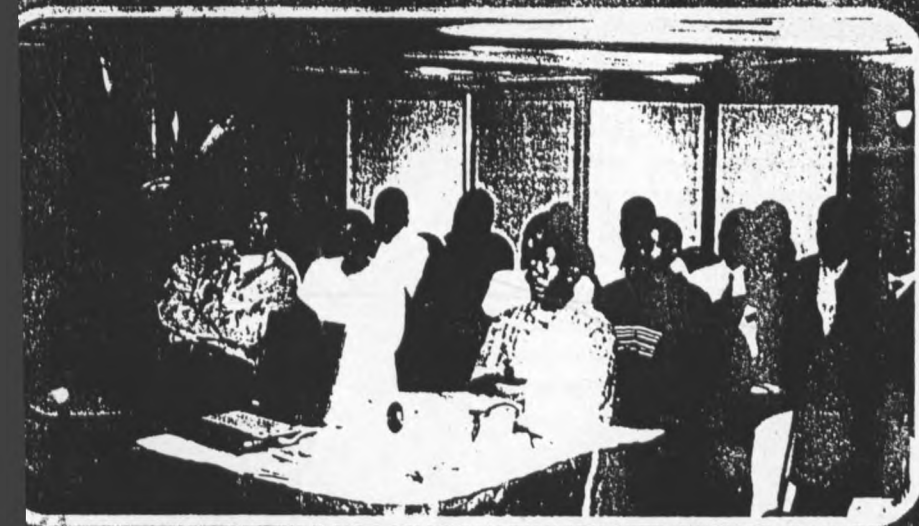
The policy ensures that employees fully understand the nature and effects of alcohol and sets out the expectations EABL has for their behaviour.

Occupational health and safety policy

The policy sets standards for risk assessment, occupational health, hazardous substances, first aid, noise, ergonomics, protective equipment, emergency evacuation, work permits, visitors and contractors and accident reporting.

External codes and charters

In addition to adopting our own policies through our international affiliation with Diageo we are a signatory to certain external codes which define corporate citizenship principles and standards of conduct. An important example is the United Nations Global Compact, launched by UN Secretary-General Kofi Annan, which sets out nine principles for business in the areas of human rights, labour standards and the environment.



Companies of EABL are required each year to confirm compliance with our code of business conduct. Coverage in 2013 was 100%.

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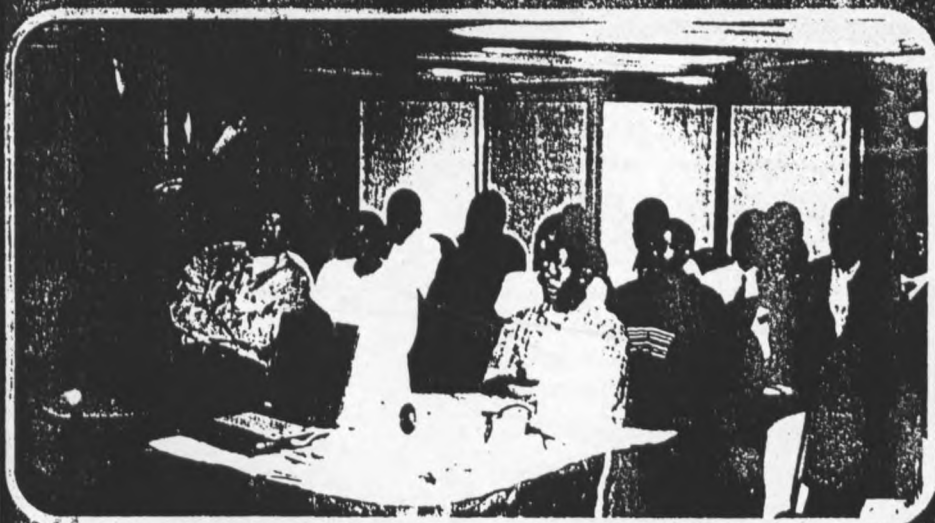
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All employees of EABL are required each year to confirm compliance with our code of business conduct. Coverage in 2003 was 100%.

management and policy

A key element of corporate citizenship is compliance with laws and regulations. Legal requirements are often minimum requirements and, where appropriate, our policies go beyond what is required by law. In doing this, EABL seeks to conduct its business with honesty and integrity. This ensures that we maintain high standards of corporate behaviour.

Governance of East African Breweries Ltd

The responsibility for managing the Group at the top level rests with the East African Breweries Board of 11 directors, which meets every quarter of the year. The Group has established the following Board committees composed of non-executive directors:

Board audit and Risk management committee, which ensures that the internal control systems are effectively administered, and reviews the financial results

Board remuneration committee which is responsible for senior executive and non-executive directors' remuneration, succession planning and terms of employment for staff within the group

Board corporate governance committee which reviews the group's compliance on corporate governance and sustainability issues and provides guidance to directors and officers on dealings in the company's securities

- Board nomination committee which proposes new nominees to the Board and ensures the Board has the necessary mix of skills and expertise for effective performance.

Through the board and these committees we determine the detailed actions to be taken in order to:

- Act with integrity, adhering to high standards of behaviour, encouraging leadership by senior executives, responsible decision-making and dialogue with stakeholders
- Be proactive in our focus areas - social responsibility and alcohol, community involvement and the environment
- Measure, report and communicate

Risk management

Our aim is to manage risk and control our activities cost-effectively. Our precautionary approach enables us to take up profitable business opportunities, avoid or reduce risks

that can cause loss, reputational damage or business failure, support operational effectiveness and enhance resilience to external events.

Our vision of sustainability

Sustainability for us means assurance of long-term success within a stable economic, social and natural environment. We believe that, with the values we have established, and the policies and business practices developed from these, we are well prepared for the move towards sustainability. East African Breweries Ltd is a creator of wealth, without which many steps towards sustainability cannot be made. Our social impacts are clearly identified and are a particular focus of our attention. Our environmental impacts, while not insignificant, are not unusual. By addressing these issues creatively and rigorously, we believe we are developing a business that is both commercially successful and socially and environmentally sustainable.

measuring and reporting

Central to the process of implementing EABL's corporate citizenship policies in East Africa is monitoring progress, measuring performance and reporting publicly to our stakeholders.

Key performance indicators

We have a set of measures of our progress covering all of the areas of corporate citizenship of concern to our stakeholders and designated the most important of these key performance indicators (KPIs). The data required for each of these measures are collected at least annually. This allows the integration of corporate citizenship measures into business strategy and forms the basis for monitoring performance improvement.

Reporting globally

In 2003 Diageo published its first global Corporate Citizenship Report and has committed to repeat this process annually. The report sets out Diageo's approach to important issues and reports consolidated performance data and improvement targets. The report can be found at www.diageo.com.

Reporting standards

We aspire to best practice in corporate citizenship reporting and, to help achieve this, have incorporated into our thinking many recommen-

dations of widely-accepted external standards. For example, in preparing this report, we have sought to meet standards of international best practice for non-financial reporting. As such, we have applied the 2002 Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (the Guidelines). Our aim is to make it easier for our stakeholders to compare our approach and performance with those of other companies both in Africa and internationally.

We have also sought to complete the report in accordance with the three principles of AA1000, the international standard for the assurance of non-financial reports – materiality, completeness and responsiveness.

Assurance

For this report we have not sought an additional audit of the measures underlying the narrative, commissioning instead a third-party attestation that the report represents an accurate view of our corporate citizenship journey and performance during the year. The external assurance statement can be found on page 31.