THE STATE OF STRATEGIC MANAGEMENT PRACTICES IN THE RETAILING SECTOR: THE CASE OF SUPERMARKETS IN NAIROBI.

BY

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DECLARATION

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

Signed --

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This project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my Parents : Joseph and Janet

Brothers: Simon and Peter

Sisters : Alice, Lucy, Eva, Pam

Niece : Kendi.

Who have been a source of inspiration for everything I do.

AND

To Patrick Wahome a dear friend and companion.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

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While all these people contributed to the completion of this project, I bear full responsibility for any mistakes.

ABSTRACT

This study was conducted with the objective of finding out the state of strategy practices in the retailing sector in Kenya. The focus of the study was supermarkets situated in Nairobi.

Developments in strategic management theory and practice have tended to reflect business circumstances in developed country contexts. Some studies have been done to document such practices in Africa. Even then, none of these studies [illegible] in the retailing sector. This study investigated strategic management practices in the retailing sector.

The study had two main objectives.

(1) To investigate (establish) the state of strategic management in the retailing sector in Kenya with special reference to supermarkets.

(2) To investigate (establish) the use of [illegible] by these retailers, for attaining a competitive edge.

To achieve these objectives, primary data [illegible] collected through personal interviews with [illegible] or senior managers in the supermarkets. The interviews had both structured and unstructured components.

The data were analysed using simple descriptive statistics. A Mann-Whitney U test was also conducted [illegible] any statistically significant differences between the various subsamples. During the analysis supermarkets were divided into two

subsamples, one based on ownership and the other on size. All the supermarkets were analysed together and then each individual group was analysed. Inter-group comparisons were done. The findings did not reveal any significant differences between the various groups.

Comparisons were also made with results of a few studies done in Kenya and other countries. Similarities and differences existed between these three sets of studies. The variations may be explained by sectorial as well as environmental differences.

The theoretical advances in strategy development are way ahead of the practice in the retailing sector in Kenya. The findings from this study revealed that supermarkets practiced minimal and budgetary forms of strategic management. Most of the supermarkets were run on intuition and they relied on an individual's ability to pursue long-term goals and visions. Most of the activities were informal. Budgets were used to support operations.

One of the main purposes of strategic management is to enable businesses to gain a competitive edge. The supermarkets studied did not appear to be using strategy to gain an edge over their competitors. Almost all the supermarkets appeared to be doing the same thing in the same way.

It may not be possible to draw general conclusions due to the limitations of this study. Nevertheless the study provides some insights into strategy practices in the retailing sector in Kenya.

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Strategic management is about decision-making and actions which determine whether an enterprise excels, survives or dies, (Jauch and Glueck, 1988). It entails actions and decisions aimed at helping organisations achieve their goals and objectives. Strategic management helps guide an organization into the future by helping it recognize the complexity of its environment and transform organisational factors, along with various internal, personal and political considerations into decisions that result in strategies.

Theoretical as well as empirical studies have [illegible] of strategic management.

THEORETICAL STUDIES

Hoffman and Hegarty (1989) note that the [illegible] of strategic management was out of necessity; "for [illegible] been faced with the need to adapt increasingly complex organisations to rapidly changing environments." Implicit [illegible] strategic management helps organisations cope [illegible] environment which they face. This sustains [illegible] organisations and enhances the quality of its relationship with the outside environment.

Secondly, an organisation's strategy provides [illegible] purpose and direction to the activities of the organisation [illegible] people who work in it, and often to the world outside (McCarthy et al, 1988; Kiggundu,1989). Strategic management cultivates a culture of forward thinking thus making organisations proactive rather than reactive. This way an organisation is able to anticipate situations thus enhancing its ability to prevent some problems.

Strategy formulation activities help organisations identify their key success factors and in so doing focus their resources and efforts on these factors which enhance their chances of success.

Porter (1980) highlights what may be the most important use of strategic management. He notes that business strategy is all about competition; specifically trying to gain competitive advantage. Without competitors, there would be no need for strategy. The main purpose of strategic management is to enable the organisation to gain, as effectively as possible, a sustainable edge over its competitors. This means altering the company's strength relative to that of its competitors in the most efficient way. Competitive advantage is important for the organisations as a whole and for every product and service it markets.

Bakke (1959) and David (1986) note that strategic management tasks help define the organisation's unique image and help provide a frame of reference for people inside and outside the organisation. This gives it a "personality" or character that distinguishes it from other organizations. It also helps organisations identify their strengths and weaknesses which in turn highlights what they can and cannot do.

Strategic management has been said to lead to better decisions and make managers better decision makers. It heightens their ability to be strategically aware both of potentially threatening developments and of opportunities for profitable change, (Thompson, 1990).

EMPIRICAL STUDIES

Several empirical studies also support these theoretical findings about the usefulness of strategic management.

The Stanford Research Institute (1957) analyzed some [illegible] firms and concluded that those that plan outperform those that do not, in terms of sales and profit growth. Thune and House (1970) identified two groups of planners -formal planners and informal planners- and matched them on sales, return on stockholders equity and total capital, earnings per share and stock prices. Formal planners were found to be better than the informal planners. Another test of the formal planners compared their performance before planning with their performance after planning was begun. Post-planning performance was found to be better than pre-planning performance. Ansoff et al (1970) used a similar approach and they concurred with Thune and House. Herold (1972) replicated Thune and House's study and upheld the previous findings.

Eastlack and McDonald (1970) showed positive correlation between planning and performance. Rue and Fulmer (1972) also found support to the planning-performance relationship, at least for producers of durable goods.

Wood and Laforge (1976) found that banks that planned formally performed better than those that didn't. More support was offered by Karger and Malik (1975) when they showed the same results for the machinery, chemicals, drugs and electronic industries. Burt (1978) also supported this planning-performance relationship, with respect to retailing.

However Kallman and Shapiro (1978), Kudla (1980) and Leontiades and Tezel (1980) tended not to support the findings of earlier work. They showed no positive relationship between planning and performance. Hussey (1991) argued that companies which practise corporate planning do not always do well. It does not mean that corporate planning insulates a company from bad decisions.

Despite these disparities in findings, there is a consensus among scholars of strategic management that those firms practising strategic management are more likely to produce better results than those which do not. Glueck and Jauch (1984) note that while it cannot be proved that strategic management causes better performance, most studies done seem to suggest that organizations which perform formal strategic management have a higher probability of success than those which do not. [illegible] and Callaghan (1985) make a similar observation when they argue that though certain studies show that strategic management may not result in good performance, the weight of numbers tends to favor.

the studies that have supported the positive effects of strategic management on performance.

In some cases, the value of strategic management may not be fully enjoyed because of poor implementation of strategies and decisions. Hussey (1991) and Aosa (1992) suggest management education and training as one of the ways to make implementation of strategies effective. It is evident from the aforementioned that the usefulness of strategic management is immense. This usefulness is not limited to any particular organisation type but rather can be enjoyed by all organisations. From the empirical studies (already mentioned) it has been seen to be useful for banks, manufacturing firms as well as the retailing sector.

RETAILING IN KENYA

Though retailing is an old practice in Kenya, the advent of supermarkets is a new phenomenon. The first supermarkets have their beginnings in the 1970's. Only a few supermarkets were set up before this time. Discussions with the Trade Officer at the Kenya National Chamber of Commerce and Industry revealed that this is an area that has experienced rapid growth, and in recent years several supermarkets have been established.

While about two decades ago only Uchumi and Ebrahims were the known supermarkets, in the last one decade several supermarkets such as Jack and Jill, Shaflus, Vijico, Sippy's, Metro, Tusker Mattresses etc., have been established, making competition all the more stiff. This is a fact acknowledged by Mr. [illegible] Shah the

Managing Director of Uchumi supermarket, who notes that the retail trade is highly competitive, (The Economic Review, Nov. 23, 1992). Mr. Shah of Makro supermarket and Mr. Schon, the Vice Chairman of Jack and Jill supermarket also note that there is stiff competition in this area, (Business Trend Review, Oct.- Nov., 1992).

In this connection, strategic management could become indispensable. As Porter (1980) noted, a very important purpose of strategic management is to enable the organization to gain a sustainable edge over its competitors. An enterprise must be able to do something as well as or better than its competitors if it hopes to survive in the long run. It must be able to gain significant ground on its competitors at an acceptable cost to itself. The principal concern is to avoid doing the same thing on the same battleground as competition. The aim is to attain and extend further a competitive situation in which an enterprise can gain a relative advantage through measures its competitors will find hard to follow. This is particularly important because these supermarkets handle similar merchandise. Their mode of operation and customers are basically the same.

With the present-day competitive conditions and those that may obtain in the future, successful operation of retail establishments (whether large or small) requires dynamic management. Both Suresh (Uchumi Supermarket) and Shah (Makro Supermarket) acknowledge this fact when they argue that it takes proper management for a supermarket to succeed.

Secondly, the Kenyan economy is currently going through very hard times. Escalating costs of living have affected business adversely. For instance, Mr. Schon of Jack and Jill supermarket notes that the decline in sales has been more pronounced especially in this era of inflation.

Supermarkets, like any other business therefore, must devise ways to survive these times profitably. It is at such times that strategic management could become an invaluable tool. As noted earlier, strategic management enables organizations to cope with a dynamic environment as well as enhance the quality of its relationship with the outside environment. Strategic management enables organizations adapt under conditions of externally imposed stress or crisis because of the changing environment, (Thompson, 1990; Kiggundu, 1989).

Given the situation facing supermarkets in Kenya today, they stand to gain greatly by stepping up strategic management practices. Those responsible for store operations must not only have accurate information on what has happened and what is happening, but they must also be able to assess the effect of probable future developments and take proper action to meet these developments. Once again strategic management becomes useful because it helps manager cultivate a culture of forward thinking or planning.

1.2 RESEARCH PROBLEM

Though the usefulness of strategic management to organizations of all kinds has been established, this evidence draws mainly from developed economies. Little has been done on the same in Kenya. A few studies such as Shumpusho (1983), Mwanzi (1991) and Odera (1992) touch on certain aspects of strategic management. However Aosa (1992), in his study on strategic management in the private manufacturing sector, is most exhaustive and his approach has been adopted in this study. No studies on strategic management have been carried out in the other sectors of the economy in Kenya. This study tries to do this by focusing on strategy practices in the Kenyan retailing sector. Its findings are compared with those of similar studies in other sectors in Kenya and other countries.

1.3 OBJECTIVES OF THE STUDY

Two objectives have been identified for this study:

1. To investigate (establish) the state of strategic management in the retail sector in Kenya- with special reference to supermarkets,
2. To investigate (establish) the use of strategy,by these retailers, for attaining competitive edge,

1.4 VALUE OF THE RESEARCH

Retailing is an important sector in the Kenyan economy. It offers employment to many Kenyans and provides invaluable services to customers. Despite this importance, no study on strategic management has been done in this sector. This research will provide an exposition of the strategy practices in this sector. With such exposition, it will be possible to understand the problems enterprises in this sector experience.

There is very little information documented on large-scale retailing, more so on management of the same. This study is aimed at making a contribution in that light.

Research on strategic management in Kenya (Africa in general) is still in its infancy. This study is expected to stimulate further research in this area of strategic management in the retailing sector, as well as strategic management in general.

1.5 SCOPE OF THE STUDY

The study will focus on supermarkets in the Nairobi area only. It will have a bias on the analytical aspects of strategy. It will be cross-sectional in nature.

1.5.1 STRUCTURE OF THE PROJECT

Chapter 1

This gives the background information onthe usefulness of strategic management. It highlights how strategic management can be of use to supermarkets in Kenya. It also contains the research problem, the objectives, value and scope of the study.

Chapter 2

This covers the literature review on Strategic Management. The aspects discussed are the historical development of strategic management, a model of strategic management, usefulness and limitations of strategic management and strategic management in developing countries.

Chapter 3

This entails literature review on retailing. Definitions, history, usefulness, types of retailers and problems faced by retailers are discussed.

Chapter 4

This chapter discusses the research methodology. It contains details about the population, sampling procedure and the data collection approach.

Chapter 5

This covers the data analysis and findings.

Chapter 6

Summary, conclusions, implications and limitations of the study are presented here. It also contains the directions for future research.

CHAPTER 2:

STRATEGIC MANAGEMENT

2.0 <u>Introduction</u>

The major task of managers is to assure the continued existence of their enterprises. One of the concepts that has developed that is useful to managers is strategic management. The importance of this concept has been underscored by scholars and practitioners alike (Jauch and Glueck, 1988; Henderson, 1989; [illegible]; Hussey, 1991).

The subject of discussion in this chapter is strategic management, its development, forms, its value to organizations, as well as its limitations. A model of the strategic management process will also be presented.

2.1 <u>STRATEGIC MANAGEMENT DEFINED</u>

Formal strategic management is about three decades old with its beginnings in the 1950's in the United States of America. It is a discipline that emerged out of necessity as managers were faced with the need to adapt increasingly complex organizations to rapidly changing environments. Despite the [illegible] discipline a number of definitions have been [illegible].

According to Constable (1980:4),

> "Strategic management is the management processes and decisions which determine the long-term direction and activities of the organization"

According to Jauch and Glueck (1988:5),

> "Strategic management is a stream of decisions and actions which leads to the development of effective strategy or strategies to help achieve corporate objectives. The strategic management process is the way in which strategists determine objectives and make strategic decisions"

Like Constable's definition, this definition brings out the theme of decisions which should help solve perceived problems or meet set objectives.

According to Hoffman and Hegarty (1989:99)

> "Strategic management is concerned with top management behavior and processes in developing organizational structure and in determining the efficacy of these strategies for coping with organizational environments."

This definition concurs with the previous two in that it attributes strategic management to top management strategists. It also highlights the importance of structure in issues relating to strategy.

Hussey (1991) moves a step further in his definition of strategic management. He notes that it evolved from strategic planning with its main distinguishing factor being its emphasis on the softer human aspects, in conjunction with the analytical ones. It is a more complete way of managing business, concerned not only with the markets and the analytical side of decision-making, but also with the social developments, implementation, and the fit of strategy with the organisational culture and structure.

Reddy (1990:5) concurs with Hussey when he says that

> "Strategic management implies a series of actions forming a cohesive pattern for achieving organizational goals. It is more comprehensive than corporate or strategic planning

because it involves the aspects of implementation and evaluation also".

Reddy further argues that strategic management is different from the mere practice of management by various functional groups. It involves a cross-functional analysis and constant sight of the mission. Thompson (1990) advances Reddy's argument when he says that strategic management builds upon studies of individual management functions seeking to integrate them so that managers in one part of the business consider the implications of their decisions for other activities and managers.

As Reddy (1990) notes, strategic management may be seen as a movement away from the bureaucratic controls, slow responses and discrete efforts and a step towards achieving greater symphony with the organisation and its mission and at the same time a symphony with dynamic changes in the environment. Initially, managers focused on "today's decisions for today's world in today's business" (Jauch & Glueck, 1988). While this may have been sufficient then, with today's turbulent environment, it is no longer applicable. The future must be anticipated.

Porter (1980) looks at strategy in terms of competition. He notes that the goal of competitive strategy is to help a business position itself in the industry. It helps a business find a position in the industry where it can best defend itself against competitive forces or can influence them in its favor. He also notes that competitive strategy assists in relating a business to its environment.

Strategic management is a combination of intuition and analysis. It also entails aspects of power and politics. Strategic management is both an art and a science of managing organisations in an integrated fashion.

2.2 THE HISTORICAL DEVELOPMENT OF STRATEGIC MANAGEMENT

Formal strategic management seems to have its beginnings in the 1950's in the United States of America (U.S.A). Early writers that addressed the issues of strategy development included Drucker (1954), Chandler (1962), Ansoff (1965), and Andrews (1971). Their writings triggered off attention in and adoption of corporate planning by companies of that time.

From the late 1960's and early 1970's, surveys carried out showed that corporate planning was practised in the U.S.A and abroad (Ringbakk, 1969; Strigel 1970). This period of increased adoption of strategic planning was characterised by relatively stable growth business environments (Taylor, 1986). The rate of change in the environment was low and reasonable future predictions could be made. Planning at this time was rather extrapolative in nature, drawing heavily from past experience. There was a heavy financial orientation in the plans making them resemble the traditional budgets that were already in use. However, the plans appeared to work well and the general atmosphere was that of prosperity.

During the mid-70's, attitudes towards strategic planning started to change, The oil crisis of 1973 upset the otherwise stable and predictable environment and turbulence set in (Taylor, 1986; Thompson, 1990). Continued economic growth prospects either slowed down or disappeared all together. Strategic management, at this time, failed because the premises on which it was based had changed radically. Many managers expressed disenchantment and dissatisfaction with strategic planning.

Various writers criticized strategic planning and made recommendations for its improvement (Mumford and Pettigrew, 1975; Porter, 1980; Peters and Waterman, 1982; Hussey, [illegible];). However it must be noted that all these writers did not direct their criticism to the value of strategic planning but to its implementation. They expressed the view that strategic management was useful but the way it was implemented was flawed. It is necessary to have a match between strategy and the environment within which it is implemented. Strategic management had to be improved and used beneficially. Porter (1987), argued that though strategic management had gone out of fashion (in the 1970's), it needed to be re-discovered, re-thought and reshaped and not discarded.

What the authors were recommending was a change in strategic planning. The character of planning had to change from what it had been in the past to reflect the current business environment. There were new issues that had to be addressed if strategic planning was to deliver the benefits it promised. There was increasing emphasis on implementation , flexibility and adaptability in strategic planning. Hitherto, emphasis had been on the development of strategy.

From the various criticisms and recommendations made, several features that characterize strategic planning emerged. Such planning should:

- be flexible and adaptable
- address implementation issues
- be focused
- be instrumental in developing a competitive edge,
- enhance creativity and strategic thinking
- incorporate both behavioral and analytical features.

These features are still the dominating concerns in strategic management today.

2.2.1 THE CURRENT EMPHASIS

The current emphasis in strategic management is on the market driven approaches (Gunn, 1988; Thompson, 1990). There is much concern with customer, competitor and industry analysis. Strategy should help companies develop and maintain a competitive edge in the market. Managers are being sensitized to strategic thinking and awareness. There is also increased attention to implementation issues (Taylor, 1986; Hussey, 1990). Management training and education has been recommended as one of the ways towards effective strategy implementation (Hussey, 1990).

2.3 FORMS OF STRATEGIC MANAGEMENT

Butcher and Mainelli (1990) document five forms of strategic management: minimal, budgetary, annual, developmental and complete.

Companies with minimal strategic management often provide this through informal meetings or brainstorming sessions. Minimal strategic management relies upon individuals' ability to pursue long-term goals and visions. The incorporation of a rudimentary budgetary procedure is the first sign that an organisation truly understands where it is now.

The introduction of an annual plan is often a step towards complete strategic management. The annual plan is more than the sum of the budgets. It is synergistic. Developmental strategic management comes about when the organisation (typically due to outside pressures) finds itself making long-term plans for projects that are designed to enhance its competitive position. Development requires an assessment of current position, identification of the long-term positioning and strong project management to turn plans into actions. There is no single correct way to achieve complete strategic management in every organization. However, some of the characteristics of complete strategic management include:

- intensive development of integrated strategies at various levels within the organisation
- the ability to take a long-term view appropriate to the organisation, possibly three to ten years
- documentation of the strategy

- appropriate communication throughout the organisation.

2.4 THE STRATEGIC MANAGEMENT PROCESS

Most authors of strategic management discuss it as if it were a strictly rational-analytical process with a defined sequence of steps to be followed. However, Quinn (1978), Mintzberg and Waters (1985) indicated that strategy comprises both analytical and behavioral aspects. There is a tendency to emphasize the former over the latter and this is likely to lead to ineffective strategies. Peters and Waterman (1982) stressed the importance of behavioral considerations in strategy. Mintzberg and Waters (1985) argued that strategy could form or be formulated. Emergent strategies were just as important as the deliberate ones.

Where deliberate efforts are made to formulate strategy, certain activities need to be undertaken by the organization. These activities are important components in the strategy making process. These include:

Missions and Objectives

External Analysis and Diagnosis

Internal Analysis and Diagnosis

Strategy Alternatives and Choice

Implementation

Evaluation and Control

2.4.1 Missions and Objectives

The two basic questions faced by corporate level strategists are:

* What business are we in?

* Why are we in business?

An answer to the first question requires a consideration of the mission definition or scope of the business activities the firm pursues. The second question involves establishing the objectives to be accomplished. Both questions help define the nature of the business and provide a framework for the analysis, choice, implementation and evaluation processes.

Many organizations define the reason for their existence in terms of a mission statement:

> "A mission statement defines the basic reason for the existence of an organization and helps legitimize its functions in the society. It clarifies the nature of existing products, markets and functions the firm presently provides" (Jauch and Glueck, 1988:77).

Such a definition can provide the basic philosophy of what the firm is all about. It usually emanates from the entrepreneur who founded the firm or from major strategists in the firm's development over time.

When the mission of a business is carefully defined, it provides a statement to insiders and outsiders of what the company stands for, its purpose, image and character. Mission definitions should not be so broad as to be meaningless neither should they merely be public pronouncements of ideals which few could ever reach (Jauch and Glueck, 1988).

A good mission statement focuses around customer needs and utilities. Strategy will only make sense if the markets to which it relates are known. Defining the company's markets is the starting point of the strategy making process. It should also entail a description of the products, activities, technology and/or processes being used. The mission statement and business definition are the beginning of strategy analysis.

Objectives are ends which the organization seeks to achieve through its existence and operations (Jauch and Glueck, 1988). Business organizations pursue a variety of objectives, some are long-term and others short-term in nature. One of the major dilemmas of corporate level strategists is the short-term-long-term trade-off decisions. This calls for prioritization of these objectives especially when time and resources are limited. The pressures facing managers have often led them to short-term thinking.

Objectives are useful to organizations for several reasons. They help define the organization in its environment, help in coordinating decisions and decision makers, provide standards for assessing organizational performance, and are more tangible targets than mission statements.

The formulation of mission statements is affected by several factors such as forces in the environment, organization's resources and internal power relationships. The value system of top executives and awareness by management of the past development of the firm also have an impact on the formulation.

Missions and objectives change over time as a result of alterations of goal orientations, crisis, demands from coalition groups within the enterprise and normal life-cycle changes.

2.4.2 **External Analysis and Diagnosis**

This entails environmental, industry, competitor and market analyses. Environmental analysis is the process by which strategists monitor the environmental sectors (politico-legal, socio-cultural, economic) to determine opportunities for and threats to the firm.

This analysis and diagnosis is necessary because environmental factors are prime influencers of strategy change. The analysis gives strategists time to anticipate opportunities and plan to take optimal responses to them. It also helps strategists to develop an early warning of any negative deviations. This helps to prevent threats or develop strategies which can turn a threat to the firm's advantage. If a firm ceases to adjust its strategy to the environment, the result is lessened achievement of corporate objectives. However, attention should be given to these environmental sectors in so far as they are relevant to a firm's operations (Glueck and Jauch, 1984, 1988; Thompson, 1990; Hax and Majluf, 1991).

There is need to understand the nature of the industry in which an enterprise is operating. An industry can be conceived as a set of firms which are in competition with one another for customers of their goods and services, and which rely upon others that supply critical inputs. It is therefore necessary to carry out an industry analysis to establish its structure and trends. These in turn help to indicate the current and future attractiveness of that industry. This helps a company to position itself in the industry (Porter, 1980; Thompson, 1990)

One of the functions of strategy is to help an enterprise develop a competitive edge in its markets (Porter, 1980, 1985). An enterprise must know and understand its competitors because its amongst such competitors that it is trying to succeed . There are four major factors which must be examined with regard to competition:

- entry and exit of major competitors
- substitutes and complements for current products and services
- major strategic changes by current competitors.
- bargaining power of suppliers and customers

These factors are crucial because they determine whether a firm will remain in its current business and what strategies it will follow in pursuing its business (Grossman, 1980; Abernathy and Clark, 1981; Porter, 1980, 1985).

There is need for a firm to understand its customers or market. The definition of a firm's markets is the starting point of the strategy making process. Strategy only makes sense if the markets it relates to are known. Effective strategists are concerned with who their customers might be and trends in the future which may lead to changes in customer buying patterns (Jauch and Glueck, 1988).

Analysts and diagnosticians of the external environment are the top managers, and this exercise may be formal or informal. The executives can then develop an "Environmental Threats and Opportunities Profile" (ETOP), which allows them to conveniently summarise the diagnoses of all the various sectors of the environment which they have deemed most important to the strategic gaps (deviations between the actual and expected outcomes) facing the firm. The essence of all these analyses is to determine the opportunities the firm has and the threats that it faces.

2.4.3 Internal Analysis and Diagnosis

Internal analysis is the process by which the strategists examine the firm's functional areas so as to determine where the firm has significant strengths and weaknesses. The functions to be examined are such as marketing and distribution, research and development, finance, accounting and personnel. This is a self-appraisal to determine the amount of resources a firm has at its disposal. This in turn helps the firm to determine its capabilities, what it can and cannot do.

The strengths and weaknesses the firm has, at present or might develop, are diagnosed. This helps the firm identify the areas around which strategy is to be built. This in turn helps in developing sustainable competitive advantages and minimizing weaknesses. It also highlights how such weaknesses will limit.

strategy, or how they can be corrected. The resource profile of an entity highlights what it can and cannot do and in turn helps in developing strategy for the entity (Ansoff, 1965; Porter, 1980; Hax and Majluf, 1991). Every firm must determine what its distinctive competencies are so that it can make decisions about how to use these abilities now and in the future. Internal diagnosis also involves estimating scenarios of likely future conditions to reflect dynamic realities; such as how long a strength will remain if it is relied on extensively or misused. The diagnosis of the most important factors for an organization may be summarized into what is called a "Strategic Advantage Profile" (SAP). The SAP is a tool for making a systematic evaluation of the enterprise's internal factors which are significant for the company in its environment .

2.4.4 <u>Strategy Alternatives and Choice</u>

Based on the analysis, there is a generation of a reasonable number of strategic alternatives that will help fill the gaps by matching the ETOP and the SAP. There will also be a need to choose the strategy to reduce the gaps. The primary generators of strategic alternatives are corporate and top managers. Lower level managers are involved to the extent that they prepare proposals for consideration by top managers.

Strategic choice is the decision to select from among the alternatives, the strategy which will best meet the enterprise's objectives. The decision involves focusing on a few alternatives, considering the selection factors, evaluating the alternatives against these criteria and making the actual choice.

In choosing strategies, strategists are all the while asking themselves the crucial questions:

* What are our objectives?
* Are they being met by our strategy and the business definition we have chosen?
* Will they be met in the future?

The issue here is the examination of the gap between the expected and the ideal outcomes vis-a-vis the alternatives being considered. The size of the gap, its nature and whether or not management believes it can be reduced will strongly influence the choice of some alternatives over others. Certain managerial selection factors such as attitudes towards risk, perception of external dependence, awareness of past enterprise strategies and power relationships influence strategic choices. Time also plays a part in strategic choices.

The choice of strategy is not a routine or easy decision. Strategic choice, like all decisions, is made in the context of the decision maker and the decision situation. Past strategies are the beginning point of strategic choices and may eliminate some strategic choices.

2.4.5 Implementation

Closing the gap between the ideal and expected outcome require more than making a strategic choice. Strategies must be made actionable. Implementation deals with what is being done to operationalize a strategy. Implementation is necessary to spell out more precisely how the strategic choice will come to be. A good strategy without effective implementation is not likely to succeed. Strategy formation is just but one component of a network of organizational activities, which must be integrated to accomplish objectives.

Although effective implementation of strategy is important, it is not easy (Bonoma, 1984). It requires congruence between several organizational elements: style, staff, skill, strategy, shared values, systems and structure (McKinsey's 7s Framework). Other writers such as Chandler (1962), Hax and Majluf (1991) acknowledge the relationship between structure and strategy and culture and strategy, respectively.

Besides these, when focusing attention on implementation four other related issues need to be addressed; setting measurable and mutually determined annual objectives, developing specific functional strategies, developing concise policies and allocating resources.

Hussey (1990) suggests management training and education as a way to make strategy implementation effective.

2.4.6 Evaluation and Control

Evaluation of strategy is that phase of the strategic management process in which managers try to assess to assure that the strategy chosen is properly implemented and is meeting the objectives of the enterprise. Control and evaluation processes help strategists monitor the progress of a plan. Evaluation and control processes are set up to be sure the gap between expected and desired objectives will be closed according to the strategy. The evaluation process should alert us to these conditions so that corrective action can be taken.

The evaluation process is thought of as comprising four interrelated activities:

a) Establish performance targets, standards and tolerance limits,

b) Measure the actual position in relation to the targets at a given time,

c) Analyse deviations from acceptable tolerance limits

d) Execute modifications if any are necessary and/or feasible

2.5. THE NEED FOR STRATEGIC MANAGEMENT

Strategic management has utility for organizations and must be given serious thought.

a) A company's strategy provides a central purpose and direction to the activities of the organisation, to the people who work in it, and often to the world outside.

b) Strategic management enables organisations to adapt under conditions of externally imposed stress or crisis because of the changing environment. Organisations can and do often create their environment, besides reacting to it.

c) Strategic management is important for the management of the organisation-environment boundaries or interface. This sustains the legitimacy of the organisation and enhances the quality of its relationship with the outside environment.

d) Strategic management helps companies develop a competitive advantage. In developing strategy, organisations carry out an analysis of their competitors and industry and see where they can outperform their competitors and vice versa.

e) It helps companies focus their efforts and resources on their key success factors

f) It helps cultivate a culture of forward thinking in an organization

2.5.1 LIMITATIONS OF STRATEGIC MANAGEMENT

Despite its usefulness, strategic management faces certain setbacks:

a) Business conditions change very fast. This makes forward planning difficult. There is high environmental turbulence and discontinuous change which causes planning premises to change frequently. This invalidates strategies built upon them thus complicating strategic management

b) Objectives are often vague and general. It is not very easy for organisations to crystallize what it is exactly they want to do and achieve.

c) There isn't much research done at the corporate level of management. Top managers have few models and theories to guide them in strategy development.

While it cannot be proved that strategic management causes better performance, most studies done seem to suggest that organisations which perform formal strategic management have higher probability of success than those which do not.

2.6. STRATEGIC MANAGEMENT IN THE DEVELOPING COUNTRIES

Much of what we know about strategic management practices is based on studies of organizations located primarily in the United States of America (U.S.A). Even studies conducted in other nations have been based primarily on American theories of strategic management (Hoffman & Hegarty 1989). Therefore, though our knowledge of strategic management has increased greatly over the last three decades, most of it has been accumulated in the developed countries' context. Little has been written on strategic management practices in the developing countries as a whole, and especially Africa.

Jauch and Glueck (1984) noted that little is known about strategic management practices in developing countries. Blunt and Jones (1986) concurred with them by pointing out that little research and analysis on managerial processes in Africa had been done.

A number of studies have been carried out in Africa to document corporate planning there. These include Shumpusho (1983) Woodburn (1984), Adgebite (1986), Fubara (1986), Mwanzi (1991) and Aosa (1992). Most of these studies indicate that the practice of. strategic management in Africa is informal and very limited (not widespread). Those that found formal practice of strategic management attributed it to the kind of companies they studied. None of these studies is based in the retailing sector. The current study aims at documenting strategy practices in the retailing sector.

CHAPTER 3

RETAILING

3.0 RETAILING

3.1 Retailing Defined

Retailing is a practice which has evolved over time, from very humble beginnings to what it is today. Various definitions of retailing have been advanced.

According to Barker et al (1956:58)

> "Retail trade includes establishments primarily engaged in selling merchandise for personal, household or farm, consumption."

Redinbaugh (1976:9) concurs with Barker when he says that

> "Retailing includes all those business activities associated with selling goods and services to the ultimate consumer or final user for personal consumption."

Hasty (1983:4) shares the views of the other two when he defines retailing as

> "the final link in the distribution system. It is all the business activities induced in the sale of goods and services directly to the final consumers; for personal non-business use".

Kibera and Waruingi (1988:116) define a retailer as

> "an individual (or organisation) who predominantly sells goods and services to final consumers or users".

Kotler (1989:554) refers to retailing as including

> "all the activities involved in selling goods or services directly to final consumers for their personal non-business uses".

The main characteristics of retailing as brought by these definitions are:

* Sale of goods and services to the final consumer, not an intermediary
* The goods and/or services thus sold are for personal not business use
* Retailing is the final link in the distribution system

Retailing is "people business" in that all retailing activities tend to focus on the ultimate or final consumer. A retailer's only social and economic justification for existence is his ability to satisfy the customers' needs and desires.

3.2 <u>TYPES OF RETAILERS</u>

Retail organisations exhibit great variety and new forms keep emerging. Several classifications have been proposed but all of them can be condensed into 3 broad categories (Kotler,1989).

a) Instore Retailers
b) Non store Retailers
c) Retail Organizations.

a) Instore Retailers

This refers to a business location namely a retail store. It is a physical structure which serves as a warehouse from which consumers may select goods and services. The major types of stores falling under this category are specialty stores, department stores, supermarkets, convenience stores and discount stores.

Instore retailers offer one of the four levels of service; self-service retailing, self-selection retailing, limited-service retailing or full-service retailing.

(b) Non-Store Retailers

The existence of a store or business premises is not necessary for an individual or organization to qualify as a retailer. One could engage in sale of goods and services to final customers even in the absence of a physical structure. The types of retailers under this category are those involved in direct marketing, direct selling, automatic vending and buying service.

c) Retail organizations:

Although many retail stores are independently owned, an increasing number are falling under some form of corporate retailing. For example, shopping malls are increasingly populated with chain stores or franchised stores rather than independent stores. The main types of corporate retailing are corporate chains, voluntary chains and retailer cooperatives, consumer cooperatives, franchise organizations and merchandising conglomerates.

It is worth noting that retail store types (like products) pass through stages of growth, and decline that can be described as the "Retail Life Cycle". A retail store type emerges at some point in history, enjoys a period of accelerated growth, reaches maturity, and then declines.

One reason that new store types emerge to replace old store types is given by the "Wheel-of-Retailing" hypothesis (McNair, 1978). Conventional store types typically offer many services to their customers and price their merchandise to cover the cost. Newer stores come up and try to improve on these convenience stores to offer longer working hours and convenience of location. With time though, these new forms start to resemble the conventional stores and newer forms come up and the cycle continues.

3.3 THE HERITAGE OF RETAILING:

Retailing has been an integral part of the marketing system for hundreds of years. The retail shop has existed in some form in every civilized land. From the market square of ancient times to the shops and to the several retail establishments world wide, retailing has reflected the evolution of society in a given location (Bolen, 1988).

Inspite of his noble record of service, the path of the retailer has not always been pleasant. It is one that starts on a humble and despised plane. Scorned by leaders of the state, and looked down upon by priest, scholar and the soldier, the retailer of the ancient world occupied a low place in society.

Plato said that "the ideal state should have as few retailers as possible and that these should be chosen so that their corruption would do the least injury possible to the state". The scholar mocked the shopkeepers as "weakest in body and unfit for any other work" and as "people of unbridled shamelessness and meanness" and so looked down on retail trade, "which is justly censured for it is unnatural and a mode by which men gain from one another". The priest proclaimed, "as a nail sticketh fast between the joinings of the stores, so doth sin stick close between buying and selling" (Barker et al, 1956). However with time, the role of the retailer moved towards a higher level.

The earliest forms of retailing in North America were trading posts and peddlers. Earlier peddlers moved either on foot or by animal. Once on travel they called from house to house to sell their wares. Cash was scarce and often they accepted food instead or bartered their goods for some other salable article. Much of this trading consisted of luxuries, which no doubt partly accounts for the hostility of the early Christian Church.

The first of the major development in retailing were markets and fairs. They assumed their greatest importance during the 13th Century, when it is estimated that there were over 3,000 on the continent of Europe. They had a religious foundation because it was at religious festivals that trading sprang up. Fairs differed from markets in that they lasted longer, were larger in size, and consequently were fewer in numbers.

Most of the goods sold at these markets and fairs were almost entirely of hand manufacture or of very primitive machine production. As such, they were of relatively high prices and not of standard quality. For this reason, they could not be bought by description, as is the case in modern fairs. Each lot had to be inspected before purchase, and therefore it was not desirable to place a future order for goods.

The next development in retailing was the emergence of shops. The shops, among the English, started as stalls.. The English shopkeeper had his home and shop under the same roof, with the front serving as a shop and the back as living quarters. Window displays were used to attract customers and there were signs to show the merchandise on sale. There was also someone kept outside the shop to cry the wares contained within.

As people gathered together in villages and towns, the general store was born, (this was in America). The retailer here kept a general stock of merchandise. Because his customers were few and he had to carry the various necessities that they demanded, the general storekeeper could not keep a wide assortment of any one commodity. This lack of variety was also due to the shopkeeper's limited capital and to the fact that he bought only once or twice a year. As the community's income grew, the store increased in size as well as the variety of merchandise handled.

Storekeeping then had phases with which the retailer of today does not deal. The store was a post office as well. The retailer had to send and distribute the village mail. The store also played an important part in the social and political life of the country by serving as the community center and club.

By the close of the war between the states (in America), retailing as an expanding industry was at a standstill; yet people were beginning to demand better retailing service. Greater variety was demanded and fashions began to change more rapidly. There were people with more wealth to spend in satisfying their increasing wants. Though these conditions called for a change on the part of the retailer to keep abreast of times, he was slow to adjust himself to new conditions. However, out of this era there gradually evolved our present day types of retail institutions -- department stores, independent stores, mail-order houses, chain stores, supermarkets, cooperative stores, discount houses, automatic selling and convenience stores.

In summary, the shopkeepers of ancient Rome, the peddlers of the middle ages, the early American general storekeeper and the operations of today's glistening supermarkets, all are a part of the same family tree. Each in his own way has studied the desires of mankind and has served mankind in fulfilling them.

3.4 <u>IMPORTANCE OF RETAILING.</u>

We are so accustomed to receiving the benefits of our modern retailing institutions that we usually take these benefits and services for granted. Seldom do we stop to think what a vital and important part the retailer plays in the lives of each of us. Probably the best way to appreciate the services of retailers to society is to visualize a world without the retailer. The retail stores each day serve thousands of a country's citizens.

Inspite of his noble record of service though, the path of the retailer has not always been pleasant. When Napoleon remarked that England was "a nation of shopkeepers", there was no risk that it would be taken as a compliment. He was only maintaining what was already a long tradition of contempt of trade. Christ himself overturned "the table of them that sold" in the temple, saying that it had become a "den of robbers", and throughout history the attitude has been the same.

This attitude may be explained. The farmer tills the soil and raises produce by the sweat of his brow, and a manufacturer or craftsman converts raw materials into useful attractive artifacts. Even the manufacturer (in the traditional sense) seeks out rare products from distant lands, and brings them across the oceans at great personal and financial risk. A shopkeeper however does none of these. His only apparent function is to make a profit for himself by charging a higher price than his own cost. There is a clear evaluative difference in people's mind between value added, which involves a change of physical state, and that which involves intangibles. It is not surprising that those who live by adding such value are traditionally despised.

According to Redinbaugh (1987) a retailer acts as a consumer's purchasing agent and makes the customer's buying job as easy and convenient as possible. The essence of a retailer's operation is the active and prominent role he/she plays as a supplier of the right kind and quantity of merchandise, at the opportune time and at the right price. Retailers therefore offer time, form, place and possession utilities.

Retailers break their bulk into small quantities which their customers can afford. On average items for personal consumption are not bought in large quantities as is the case in those bought for business use (Kibera, 1988; Bolen, 1988). Retailers also buy "on behalf of the customer". Each and every customer cannot purchase directly from the manufacture neither can they buy their small units from wholesalers as wholesalers sell in bulk. As such, the ideal person to move to is the retailer. He not only provides convenience but also saves the costs the consumer may incur in obtaining the goods from the manufacturers who may be far removed from him. The retailer is thus a final link in the distribution system (Hasty, 1983).

Another important function performed by retailers is that of warehousing. Besides creating time utility, warehousing facilitates continuous production. The manufacturer's storage space is consistently emptied by the outflow of stock going to the retailers, wholesalers and other middlemen.

Retailing also entails financing of stock and the assumption of risk as title to merchandise changes hands. Normally buying and consumption do not take place simultaneously. There is usually a time lag between when a retailer buys and the time the consumer buys and consumes the goods and/or service. During such a time the retailer is not only financing the manufacturer's stock, but also assuming risk of whatever may happen to such stock.

Retailers stimulate demand in the same way as producers do. They engage in personal selling, advertising, sales promotion, product planning or merchandising and formulating pricing policies. However, unlike producers, retailers are not concerned with stimulating the sales of one manufacturer or producer but with the total sales volume. Retailers are closer to, and interact with the final consumers more than manufacturers. They are a very important source of information about the market place which the manufacturers as well as marketers need inorder to make effective decisions. Retailers (and middlemen in general) reduce the number of sales contacts or sales calls needed to reach all consumers. Each retailer (e.g. Uchumi Supermarkets Limited) represents a lot of producers.

Retailing may be one of the few ways by which the small amounts of capital available (especially in Kenya) can be mobilized. This is because setting up a retail business requires little initial capital. Retailing has also been found to be an important form of unemployment relief. For instance, Hamper (1974) noted that retailing was the fifth largest source of employment in Kenya in 1974. One just needs to look at how many shops, markets and supermarkets there are in Nairobi alone and the number of people they employ, to aaaappreciate how great a relief of unemployment retailing is.

Retailing is a major contributor to a country's economy and the general social well-being of its people. It should not be overlooked and all attemtopm diverted to manufacturing. Though the value retailers add to products is intangible, it is invaluable.

3.5 THE HISTORY OF SUPERMARKETS

Definitions:

There is no universally accepted definition of the term "supermarket", but it is generally used to describe a self-service, departmentalised food store with a minimum sales volume of U.S. $1 million per year (Hasty, 1983).

Barker et al (1956) acknowledge the fact that the term supermarket is difficult to define. They argue that supermarkets are basically grocery stores but usually have departments selling non food items, and at least the grocery department is operated on a self-service basis. The minimum sales necessary for a supermarket varies from an arbitrary $1,000,000, specified by the Supermarket Institute (a trade association) to $375,000 specified by "The Progressive Grocer", (a grocery trade publication.)

Philpott (1963) defines supermarkets using their characteristics. It is a cross between the specialist and department store. A self-service shop should have at least 2,000 square feet of selling space to justify the term and a fair proportion (up to 25%) of non-food items. The layout of merchandise is usually in rows of "gondolas" and most supermarkets promote sales by "loss-leaders".

Pickering (1966) defines a supermarket as

> "a store with a least 2,000 square feet sales area, with three or more check outs and operated mainly on a self-service basis, whose range of merchandise comprises all food groups, including fresh meat, fresh fruit and vegetables plus basic household requirements such as soaps and cleaning materials".

Gillespie et al (1977) note that the term "supermarket" defies precise definition because of the popular trend to mix food and nonfood products. Todays supermarkets are a combination of food and variety stores. With this in mind, some analysts have described supermarkets as

> "a departmentalised retail store having annual sales of U.S. $1 million or more in a variety of merchandise and in which the sale of food, much of which is on self-service basis, plays the major role".

Supermarkets in America had their beginnings in the late 1920's and early 1930's, while those in Britain began in the 1950's. Supermarkets are attributed to the introduction of true self-service shopping.

The original supermarkets in America were successful for several reasons; economic conditions of the 1930's (Great Depression) made consumers more price-conscious, and supermarket retailing was based on low-price appeal. Supermarkets were located in low rent areas, sold nationally advertised, presold brands, so they did not need large advertising budgets. This allowed them to cut prices as well as increase volume.

When they were first introduced, supermarkets were stocked with.

dry groceries and shoppers boxed and carried their own purchases. Prior to their emergence, food had been sold in a variety of specialty stores. They were the antithesis of the small independent outlets which tended to specialize in meat, produce or dry goods, (gradually these two types of institutions blended).

As time went by supermarkets started to stock both food and non-food items and now it has become a sort of "one-stop" shopping center. The primary appeal is a wide assortment of merchandise under a single roof. This appeals to people who have little time to shop (especially housewives) who find that they have available to them under one roof a wide variety of common, everyday household needs. Most supermarkets feature self-service selling which not only holds down operating expenses but also permits greater freedom to the customer in making his selection from the typically large varieties found in these stores.

Today, supermarkets in America have been hit hard by a number of innovative competitors, such as convenience food stores, discount food stores and superstores. As a result, they have moved in all directions to improve their competitiveness. They have opened larger stores (selling space of about 25,000 square feet), they carry a large number and variety of items (typically over 12,000) with the largest increase being in nonfood items. Many supermarkets are moving to prescriptions, appliances, hardware, and sporting goods, hoping to find high-margin lines to improve profitability. They are also upgrading their facilities through more expensive locations, larger parking lots decor, and longer opening hours. They are also increasing their promotional budgets and moving heavily to private brands to reduce their dependence on national brands.

"Supermarketing" as a method of doing business has recently spread to other types of businesses particularly in the drug, home improvement, and sporting goods fields.

3.6 THE HISTORICAL DEVELOPMENT OF RETAILING IN KENYA.

It is hardly surprising that little has been written about the history of retailing in Africa. This may be attributed to the attitude of contempt towards retailers.

In West Africa, indigenous traders were established as soon as European influence was felt on the coast. In East Africa, the situation was different. In Kenya in particular, Africans were discouraged from engaging in any form of trade. There was little incentive for Africans to enter retailing, even if they could manage to acquire the necessary capital and knowledge. The retail shops were almost entirely Asian owned.

Inspite of the small market and government apathy or active discouragement, African retailers started to operate during the 1930's, usually after having worked as buying agents for Asians. They traded in the areas which were too poor to interest the Asians. Even then, the government restricted the number of licences issued for retailing. Nevertheless, more and more

Africans entered retailing, which was one of the very few independent economic activities which were in any way open to them. The capital requirements were at least relatively low, and no technical training was needed.

By 1953, there were several African retailers in East Africa. The Kikuyus were particularly motivated to go to business because of their traditions of trading with the Maasai, and their proximity to wealthy settlers during the colonial period (Marris and Somerset, 1971). By 1955, the number of African traders had increased even more because the constraints had been reduced significantly. The early days of independence were characterized by optimistic planning in most fields, and African retail development was no exception. However not much change was observed until the mid-1960's.

By 1964, Asians still controlled almost 90% of all business (Ngotho, 1975). This state of affairs went on, prompting the "Trade licensing Act" of 1967, which enabled the Africans to get into more sophisticated business. A lot of retail businesses owned by Africans came up. Shops (dukas) became common place both in rural and urban areas.

The 1970's saw even more sophistication in retailing with the onset of supermarkets, such as Uchumi, Ebrahims and K&A. The 1980's and 1990's have seen the rise of more supermarkets and shopping complexes, such as "The Mall", "Sarit Centre" and "Yaya Centre." The influx of Kenyans into retailing can be explained by the fact that retailing requires little initial capital, little or no technical training and is a source of employment.

3.6.1 THE RISE OF SUPERMARKETS IN KENYA

Supermarkets are a recent phenomenon in Kenya. Supermarketing as a mode of retailing took root in Kenya in the 1970's. The first supermarkets have their beginnings in the 1970's, with only a few set up in the 1960's. Among the first supermarkets to be established in Kenya were K&A (1962), Ebrahims self-service store (1970) and Uchumi supermarkets limited (1975), all in Nairobi. Supermarkets later spread to Kisumu, Mombasa and Nakuru.

These supermarkets did not start off as they are today. They started as self-service stores. They covered small trading areas so that the movement of customers could be easily monitored. The assortment and volume of merchandise was also limited. However with time, they increased their volume and assortment of merchandise as well as trading space and thus became supermarkets. Management could no longer monitor customers' movements closely and the cashiers were far removed from where customers selected their merchandise.

Most of the supermarkets in Nairobi are owned by Kenyans of Asian origin and are run as family businesses. The Asians enjoy a number of advantages and this may explain why they have been a success in this area. They enjoy credit facilities since they can provide the security needed. They buy some merchandise cheaply from their fellow Asians. Family cohesiveness has also been an asset in the running of these businesses.

In recent years (80's and 90's), several new supermarkets have come up in Nairobi. The reasons advanced for this are that competition is allowed, as long as it is fair. Secondly, due to the increase in population, there is a ready market for the supermarkets' products. An increase in their numbers means shorter queues, which saves customers a lot of time. The evidence of this can be seen in a place like Westlands where we have two shopping complexes (The Mall and Sarit Centre) and yet the crowd found there is still quite large. The queues at Uchumi supermarkets are also quite long during such times as end of month, weekends and after five o'clock on week days. Competition is getting stiffer in this sector, and with the decontrolled prices, price competition may set in with a bid to win customers.

Since their establishment, supermarkets in Kenya have been facing a number of problems. One of the first problems to be faced was that of loss of control of customers' movements. With increased space (from self-service stores to supermarkets) it became difficult for managers to monitor customers' movements as closely as they had done as self-service stores. This led to the second problem - shoplifting. It was now easy for customers to pick items hide them, and get away without paying. However methods have been devised to curb this. First more people were employed to watch the customers. This was followed by the introduction of convex mirrors in supermarkets and later televisions as is the case in Nakuru Mattresses and Ebrahims supermarkets. Now with more advanced devices such as Chandarana's modern Gateway's 2000. scanner, shoplifting in the supermarkets may become a thing of the past.

Another problem faced by the supermarkets is that of damaged items. Because merchandise is bought in bulk, inspection of the same is not always easy and so once the merchandise gets to the supermarkets, a lot of defective units may be detected, such as packets of Omo or flour which are not properly sealed, leading to waste. There is also the problem of high costs of transportation of merchandise from its source to the supermarket especially where the two are far apart. Putting price tags on all the merchandise is also quite tedious and expensive.

The other problem, though it may appear minor, is that of time wasted by management dealing with customers who pick more than they can pay for. A manager must sign before any of these items can be returned to the shelves and money refunded to the customer.

By way of management, the major problem is that of running supermarkets patrimonially even when they have outlived this mode of management. Patrimonial management is a management approach where ownership and major decision-making positions are in the hands of family members. The danger with this approach is that the family members may lack the skills necessary for running the business. New ideas and experiences brought in by people from outside may also be lacking. This may lead to failure, as happened to Ebrahims supermarkets. Even where failure does not result, performance may be less than optimal.

However, supermarkets do have a number of advantages over the traditional retailers. They buy in bulk, enjoy discounts and so in turn can allow their customers discounts; a thing small. shopkeepers may not be able to do.

Secondly, supermarkets enjoy larger trading space and so can stock more items. The self-service facility also attracts customers as one chooses the items themselves, can see the prices and so decide how much to buy and they do not have to wait for service, save for queuing to pay.

Thirdly, supermarkets avail a convenience that ordinary shops do not. One can buy almost everything they need, ranging from food to maintenance items under one roof. This makes shopping easy and quick.

These advantages enjoyed by supermarkets have led to outcries of unfair competition from the ordinary shops. With the influx of supermarkets, shopkeepers feel threatened.

This being a new phenomenon in Kenya, more development in this area is still anticipated. With the increasing competition in this area, supermarkets will have to devise ways to remain competitive and to survive.

CHAPTER 4

RESEARCH METHODOLOGY

4.0 INTRODUCTION

This chapter sets out the various steps that were necessary in executing the study thereby satisfying its objectives. There were two main objectives for this study:

i) To establish the state (extent) of strategic management practices in Kenya's retailing sector, with special reference to supermarkets.

ii) To establish how the supermarkets use strategy to achieve a competitive edge.

The relationship between the objectives and the questions asked is shown in Appendix 3.

The various concepts making up the questions had to be operationally defined so as to facilitate their measurement and subsequent statistical analysis. These operational definitions are set out in Appendix 4.

4.1 SCOPE OF THE STUDY

This study focused on supermarkets in the Nairobi area only. I investigated both large and small supermarkets operating in Nairobi.

As was earlier stated, this study took a basically analytical view. The various strategy activities investigated derive from the model of strategic management presented in chapter two. Such an analytical view has been taken in various studies carried out to document strategic management practices of companies in different countries. These include U.S.A (Ringbakk et al, 1976), Germany, (Strigel, 1970), Netherlands (Eppink et al, 1976), South Africa (Woodburn, 1984), Nigeria (Adegbite, 1986; Fubara 1986) and the United Kingdom (Denning and Lehr, 1971).

However, as earlier discussed, strategy development does not encompass analytical aspects only. Hofer and Schendel (1978) have indicated that behavioral and political forces do influence strategy processes. Zaleznick (1970), Mumford and Pettigrew (1975), Kotter (1982), Mintzberg and Waters (1985) have advanced this argument.

This study was cross-sectional in nature. Due to time constraints it was not possible to carry out the study over a period of time (longitudinally).

4.2 RESEARCH METHOD

The current study required collection of primary data. Quantitative data was needed to facilitate comparisons. While this was the case, there was a need to retain flexibility in the data collection process. This would help pick up unexpected information, which would help in interpreting and clarifying the numeric data collected. All these requirements suggested that survey would be the most appropriate data collection method.

Howard and Sharp (1983) give five major ways of collecting primary data: laboratory measurement, field observation, archival data, questionnaires and interviews. Churchill (1983), Emory (1985) and Paul et al (1988) give surveys and observation as the major methods of collecting primary data. Nachmias and Nachmias (1981) have grouped primary data collection methods into three broad categories: observational methods, surveys and unobtrusive measures.

The survey was found superior compared to the other methods because, in this study many of the variables could not be observed, as required under observational methods. Secondly, I needed to use probes to get additional information and this ruled out the unobtrusive measures, (Taggart, 1988). The laboratory measurement requires a great deal of time (which I did not have) and would have been uneconomical (with regard to costs) for my purposes. No archival data was available. The unobtrusive and observational methods were used to supplement the survey in the course of data collection, though only to some limited extent.

4.2.1 Type of Survey

Even after choosing the survey method of data collection method, it was necessary to choose the mode of this collection. There are three survey data collection modes: personal interview, telephone interview and mail interview, Parasuraman (1986). Tull and Hawkins (1987) add computer interview to this list. Each of these modes has advantages and disadvantages attached to it. Personal interview offers more versatility and is cheaper (time and money) than observational methods. However it is very poor at controlling interviewer effects. Mail interview is excellent at controlling for interviewer effects but poor at handling complex questionnaires. Telephone interview is excellent at offering a high degree of sample control but only fair at collecting large amounts of data.

As indicated above, it becomes difficult to choose between the various modes of data collection by comparing their advantages and disadvantages. This is because the advantages of one mode tend to be the disadvantages of the other. Peterson (1982), Nachmias and Nachmias (1981) and Tull and Hawkins (1990) state that the choice of the mode should be dictated by the objectives of the research and the required data. Tull & Hawkins however add that resource considerations are important.

In this study, I needed to carry out long interviews and many variables were being investigated. For most of the issues raised, some supplementary information was necessary. When all that was taken into account, personal interview was found to be the most appropriate mode. As Peterson (1982) indicates, personal interview has the potential of yielding the highest quality and quantity of data compared to the other modes. It also tends to be the most flexible. Parasuraman (1986) advances similar views.

4.2.2 Type of Interview

Nachmias and Nachmias (1981) have identified three broad types of personal interviews: the scheduled structured, non-scheduled structured and nonstructured interview. Peterson (1982) refines this typology further when he points out that personal interviews can be characterised by two dimensions: the number of people being interviewed at the same time and the degree of interview structure. In this study I chose to interview each individual separately. In each supermarket visited a director or senior manger was interviewed.

I required to collect standard, numeric data as well as supplementary data. For the former I chose to conduct structured interviews. Peil (1982) defends surveys using structured interviews. She maintains that by asking the respondents the same questions in the same way, it is possible to get broad and reasonably accurate views on the issues under study. Structure is thus important in achieving accuracy and comparison. Peterson (1982) points out that most interviews lie in-between, the structured-unstructured continuum. This is done in an effort to ensure both comparability and flexibility. In addition to this, open-ended questions and probes were used to capture useful supplementary information. The aim was to maximize the benefits of the two approaches.

4.3. THE SURVEY PROCESS

The implementation of the survey and subsequent collection of data was achieved in three main ways. The construction of the questionnaire, selection of the supermarkets to participate in the study and interviewing the various respondents.

4.3.1 Questionnaire Construction

The questionnaire I constructed had both open and closed-ended questions. The two types of questions were necessary because as already indicated, I needed both standard and supplementary data. The questions were generated from two main sources: empirical and theoretical studies, as discussed in chapter two. The questionnaire was not pretested but after the first few interviews modifications were made on those questions which the respondents appeared to have difficulties in understanding.

4.3.2 The Population

The population of interest for this study was all the supermarkets in Nairobi. A provisional list of supermarkets from Kenya Cooperative Creameries (KCC) was used. It was updated using a list from Standard Newspapers and the Kenya Business Directory.
The list consisted of 70 supermarkets.

4.3.3 Sampling Procedure

Having defined the population of interest I constructed a sampling frame. Three main sources assisted in the creation of the sampling frame: a list from KCC, Standard Newspapers and the Kenya Business Directory. The KCC list was the most comprehensive and the other two were used to update it. The reason for the use of several sources to construct the sampling frame was to try and maximise the overlap between the sampling frame, and the population and thus enhance the quality of the research.

The implication of the above is that technically my operational population was restricted to the supermarkets listed in the sources used. From this sampling frame I was able to select a sample as it was not my intention to study the whole population. Due to resource constraints (time and budget) I decided to study the supermarkets in Nairobi's City Centre, Westlands and Hurlingham. There were three main reasons for this.

a) From the updated list, about 60% of the supermarkets fell in these three areas. These were considered adequate for the study.

b) The supermarkets in these three areas are more or less centrally placed thus cutting on too much moving. This was necessary because I was conducting the interviews alone and on limited budget and time.

c) It was felt that these supermarkets were representative of the others.

In choosing my sample this way I was guided by Dixon and Leach's (1984), advice that the size of the sample should be determined by adequacy and resource considerations.

I contacted all the supermarkets that constituted my sample. Out of the 40 supermarkets appearing in the sample, 22 of them responded. One of them completed only one part of the interview. This response rate (55%) was high compared to those achieved in similar studies such as Aosa (1992) 15%, Adegbite (1986) 5%, Woodburn (1984) 7%, Wee et al (1989) 3%.

4.3.4 <u>The interview Process:</u>

The respondents were either directors or top managers. It is these top managers who were most familiar with and most involved in the strategy processes in their supermarkets.

The interview for each company was done in two stages. The first involved questions that the researcher asked the respondents. These questions were structured and were contained in the questionnaire used. The researcher also prompted the respondents to talk freely about their supermarkets. Open-ended questions and probes were used to bring out certain information or clarify issues raised. The questionnaire was thus used as a guide to keep the interview on course. This part of the interview was necessary to gather information that would help in understanding what went on in the supermarkets studied.

In the second stage of the interview, respondents provided answers to the closed questions. They were also requested to provide supermarket data on such issues as year of establishment, ownership and size. This was done in the presence of the researcher.

CHAPTER 5

DATA ANALYSIS AND FINDINGS

5.0 Data Editing and Coding

The completed questionnaires were edited in the field after completion of each interview. At the end of the interviewing process, they were checked again and coded. Coding was necessary to facilitate statistical analysis. The way each question was coded is presented in Appendix 5.

The sample studied consisted of wholly local supermarkets. They varied in size of trading space from 665 to 10,000 square feet. The variation in the number of employees was also as big ranging from 5 to 75 employees. As regards the number of branches operated by each supermarket, the variation was less. All those studied recorded one or two branches.

5.1. Supermarket Classifications:

The analysis in this study required comparisons between groups of these supermarkets on all the variables under study. First, the whole sample was analysed. It was then split into subsamples and comparisons were made between these. The initial intention was to base the subsamples on ownership and size. Size was to be measured in terms of trading space, number of employees, number of check-outs, number of branches and sales turnover. Ownership had been defined as either wholly local, wholly foreign or joint.

Ownership as basis of classification had to be revised because all the supermarkets studied were locally owned. The supermarkets were thus grouped as either Indian-Kenyan or Indigenous-Kenyan. There were nineteen (n=19) Indian-Kenyan supermarkets and three (n=3) Indigenous-Kenyan supermarkets.

Sales turnover as a measure of size was dropped because only three out of the twenty two supermarkets disclosed this information. The number of branches was also dropped because all of the supermarkets studied recorded one or two branches. This would seem to indicate that all the supermarkets are of equal size which is not the case. Their variation in size of trading space and number of employees was very big, indicating a difference in size. Size of trading space, number of employees and number of check-outs were retained as the measures of size, for this study.

It was however decided that only size of trading space and number of check-outs would be used. Researchers in this field define supermarkets on the basis of these two aspects (in addition to sales turnover, mix of merchandise and mode of selling). The criteria used to differentiate a supermarket from any other retailer was size of trading space, number of check-outs, composition of merchandise (food and non-food items) and self-service, Barker et al (1956), Philpott (1963), Pickering (1966), Gillespie et al (1977) and Hasty (1983). Number of employees was not imperative.

One of the problems encountered was how to set the demarcation between the large and small supermarkets. No criteria were available from the literature reviewed. To do this I decided to add up the trading space for the 22 supermarkets and obtain an average which was to be used as the threshold for classification. The same was done for the check-outs. Those supermarkets falling above the average in each case, were classified as big and those falling below as small. On this basis the sample was split into two subsamples: Large supermarkets (n = 8), small supermarkets (n = 14). This information is provided in appendix 6.

After this classification the supermarkets falling in each category were coded as follows:

a) Large supermarkets (L1-L8)

b) Small supermarkets (S1-S14)

c) Indian-Kenyan supermarkets (I1-I19)

d) Indigenous-Kenyan supermarkets (K1-K3)

This was necessary for two reasons. One was for ease of reference and the other maintaining confidentiality since the researcher had undertaken to do so.

5.2 DATA ANALYSIS

The data collected was analysed using descriptive statistics. This entailed proportions, percentages, means, and frequency distributions. Since the study was investigative in nature, these measures were deemed adequate.

Further statistical analysis was necessary to bring out any significant differences between the four subsamples (based on size and ownership). To facilitate this the Mann-Whitney U test was used. This test was chosen because a parametric test would not have been appropriate. Most of the data were ordinal and categorical. When the sample was divided into subsamples, the latter were very small (as small as 3) and unequal. Lastly the distribution of the population was not known. Likert type profiles were also drawn to indicate any visual differences.

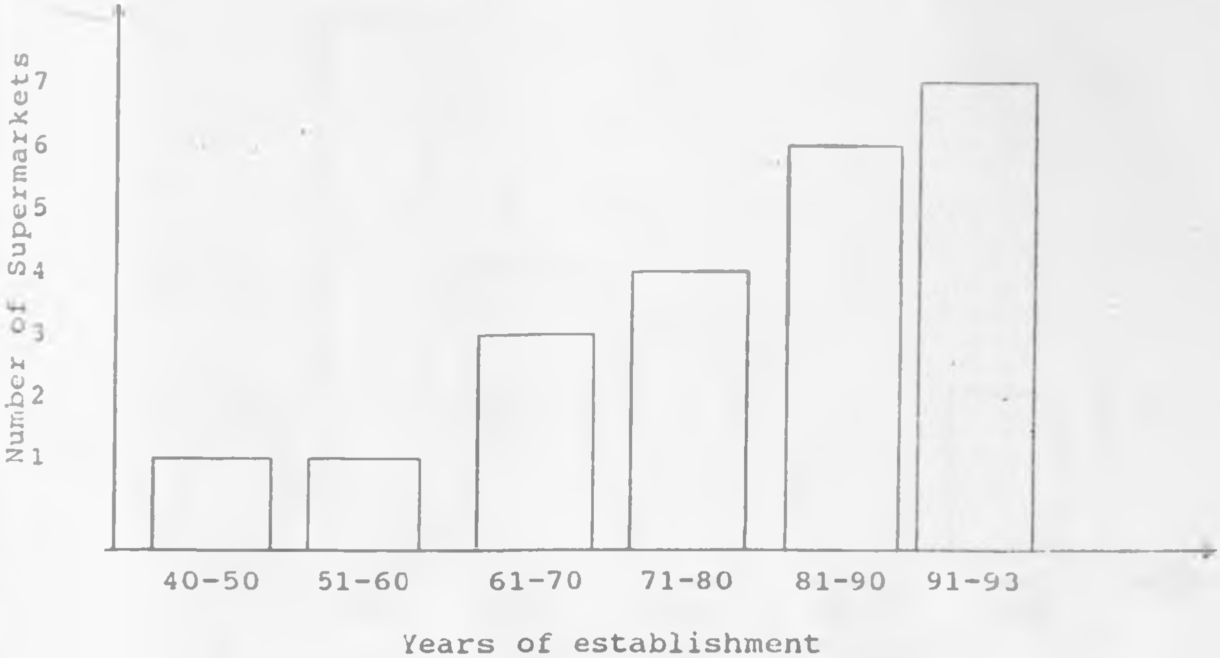
5.3 RESEARCH FINDINGS

The results of this study will be presented in two parts. The first part will present the findings on the state of strategy processes in the supermarkets. It will also address the issue of how the supermarkets use strategy to achieve a competitive edge. In effect this will be addressing the two objectives of the study. The second part will present findings on the Mann-Whitney U test and the Likert type profiles.

5.4 SUPERMARKET DETAILS

This covered areas such as year of establishment (Figure 5.1), size of trading space (Figure 5.2), number of employees (Figure 5.3) and ownership (Table 5.1).

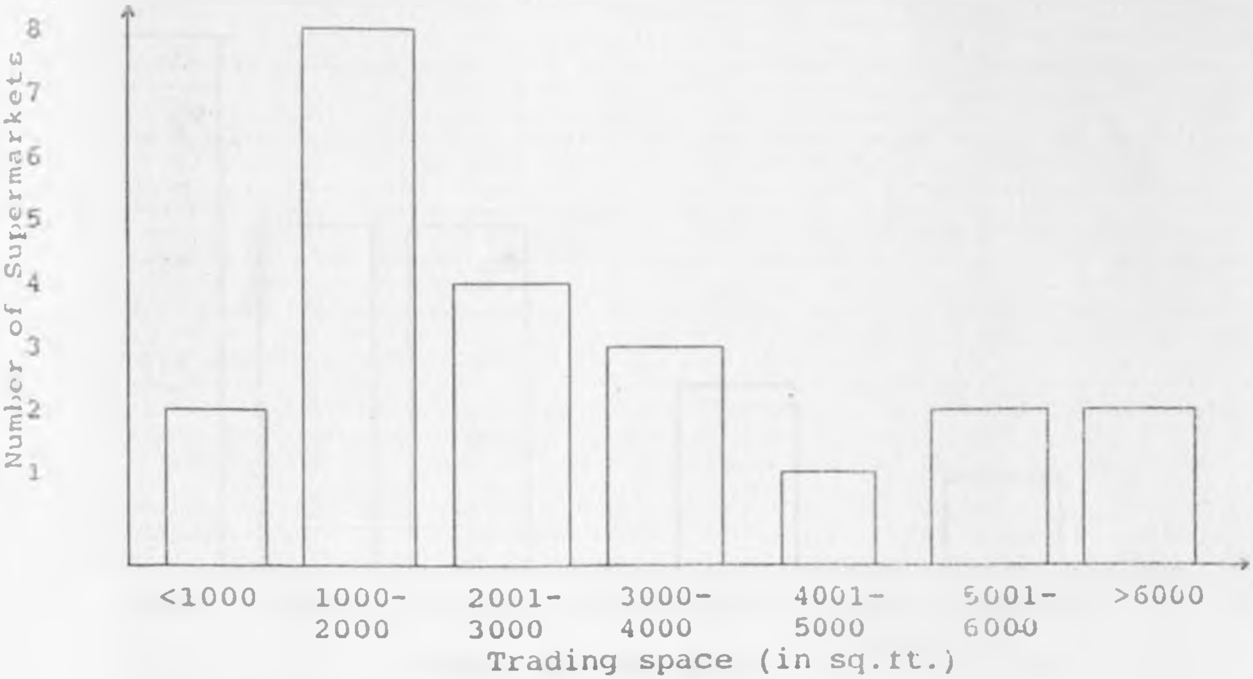
Figure 5.1 **Distribution of Supermarkets by Year of Establishment**



Source: Interviews

From the figure above twenty (91%) of the supermarkets studied were established between 1961 and 1993. However of these only two were established in the 1960's (1962 specifically). The other eighteen were set up between 1970 and 1993. This can be explained by the fact that supermarketing, as a mode of retailing, in Kenya took root in the 1970's.

Figure 5.2 **Distribution by Size of Trading Space**



Source: Interviews

From the above figure, ten (45%) of the twenty two supermarkets studied had trading space of 2,000 square feet (sq. ft.) or less. Of this number three had 2,000 sq.ft. trading space and the remaining seven fell below 2,000 sq.ft. Going by the definitions of supermarkets given by practitioners in this field, 15 (68%) of the supermarkets studied qualify as supermarkets. A supermarket has been defined as a store with at least 2,000 sq.ft of sales area (Philpott, 1963; Pickering, 1966).

Figure 5.3 **Distribution by Number of Employees**

Source: Interviews

The average for all the supermarkets studied was found to be twenty three employees. Of the 22 supermarkets fourteen (64%) fell below this average and only eight (36%) fell above this average. This overlaps with the findings on the trading space and number of check-outs. When the latter two were used as a basis for measuring size, fourteen supermarkets were classified as large and eight as small.

5.4.1. <u>Ownership and Control</u>

All the supermarkets studied were wholly local. Local ownership here referred to ownership by Indigenous Kenyans or Kenyans of Asian origin. Most of them (86%) were owned by Kenyans of Asian origin. All but one supermarket were family businesses. This one supermarket is owned by Kenya Union of Savings and Credit Cooperative Limited (KUSCCO). This same supermarket was also the only one ran professionally with all the others being run patrimonially.

Table 5.1 Distribution by Ownership

Ownership	Number of Supermarkets	Proportion
Indian-Kenyan	19	86%
Indigenous Kenyan	3	14%
Total	22	100%

Source: Interviews.

Table 5.2 Distribution by Number of Branches

Number of Branches	Number of Supermarkets	Proportion
1	21	95%
2	1	5%
3 and above	0	-
Total	22	100%

Source: Interviews.

The dominance of single branch supermarkets may be explained by the fact that most of the supermarkets studied are relatively young.

Table 5.3 **Distribution by Number of Check-Outs**

Number of Check-Outs	Number of Supermarkets	Proportion
1	5	22%
2	8	36%
3	3	14%
4	4	18%
5	1	5%
6 and more	1	5%
Total	22	100%

Source: Interviews.

Majority (91%) of the supermarkets had between one and four check-outs. Only two supermarkets had more than four check-outs. These two had five and seven check-outs respectively.

5.5 Specific Details about the Respondents

This section covers the findings on the specific questions posed to the respondents.

5.5.1 Missions and Objectives

Out of the twenty two supermarkets studied only four (18%) said that they had a mission. The other eighteen (82%) had none. Of these four, only two had the mission in a written form. None of them had changed their mission over time (Table 5.3).

The supermarkets without a mission said that knowing that they were running a supermarket was enough. They did not need any further specifications or philosophies to govern their operations. They also argued that they had been in business all their life and did not need a lot of formalities to operate. Asked how they hoped to create a unique image of themselves in the minds of the customers, they cited use of low prices and good customer service as the main idea. Others felt that supermarkets were basically the same. Trying to be unique would be very difficult.

This state of affairs can be attributed to the ownership, control and general management of these supermarkets. As already cited twenty one of these supermarkets are family businesses and are patrimonially run.

All the respondents had set objectives for their supermarkets. The most commonly cited objectives were profit and growth (expansion). Of these, nineteen (86%) said these objectives were set at the top level in the organization. One (5%) said objectives were set at the middle level and two (9%) said that their objectives were set even at the low levels of the organization (Table 5.4).

None of the supermarkets allowed its subordinates to participate in the setting of these objectives. Even those that set objectives at the lower levels only allowed the participation of managers. Nineteen (86%) of the 22 supermarkets indicated that only directors participated in the setting of the objectives. Three (14%) said that directors and top managers participate in this activity.

Of the twenty two supermarkets only nine (41%) indicated that everyone in the supermarket was aware of the objectives. The rest indicated that they did not find it necessary. Of the nine, five said that they communicated their objectives to the employees informally. The other four said that this exercise was done formally through notices, meetings and the press* (Table 5.5).

Only nine supermarkets had the objectives in a written form. All the supermarkets owned by indigenous Kenyans fell in this category. The other six said that they did not find it necessary to write their objectives down.

Table 5.4 <u>Missions and Objectives</u>

	All Supermarkets (n=22)		Indian-Kenyan Supermarkets (n=19)		Indigenous-Kenyan Supermarkets (n=3)	
	n	%	n	%	n	%
Presence of a mission	4	18	2	15	2	67
Presence of objectives	22	100	19	100	3	100
Written mission	2	9	1	5	1	33
Written objectives	9	41	6	32	3	100

Source: Interviews

* press refers to KUSCCO's Publications.

Table 5.5 **Involvement in the Setting of Objectives**

	All Supermarkets (n=22)		Indian-Kenyan Supermarkets (n=19)		Indigenous-Kenyan Supermarkets (n=3)	
	n	%	n	%	n	%
Levels						
Top	19	86	18	95	1	33
Middle	1	5	0	-	1	33
Low	2	9	1	5	1	33
Participation						
Directors only	19	86	18	95	1	33
Directors and Senior Managers	3	14	1	5	2	67
Everyone	0	-	0	-	0	-

Source: Interviews

Table 5.6 **Communication of the Objectives**

	All Supermarkets (n = 22)		Indian-Kenyan Supermarkets (n = 19)		Indigenous Kenyans Supermarkets (n = 3)	
	n	%	n	%	n	%
Everyone is aware of the objectives	9	41	7	37	2	67
Only Directors are aware	9	41	9	47	0	-
Senior Managers are also aware	4	18	3	16	1	33
Formal Communication	5	23	3	16	2	67
Informal Communication	4	18	3	16	1	33

Source: Interviews

Table 5.7 Objectives Mentioned

Objective	Frequency	Proportion (%)
Profit	10	46
Expansion	10	46
Service	8	36
Success	3	14
Family cohesion	1	5

Source: Interviews

Of the ten respondents who mentioned profit as an objective eight (80%) of them ranked it first (considered it most important). Two ranked it second. Expansion was ranked first by six respondents while the other four ranked it second. Five of the eight respondents ranked service first, one ranked it second and two ranked it third. Success was ranked first by two of the three respondents while the other one ranked it second. Profit and expansion thus emerged as the predominant objectives.

5.5.2 Plans and Planning Horizons

The types of plans were similar among the twenty two supermarkets studied. All the supermarkets had a budget in place. Five supermarkets had medium-term (3-5 years) plans and all but one supermarket said that they had long-term plans. The most commonly cited long-term plans were expansion, elimination of shoplifting and computerization, in that order. However very little commitment was shown towards these plans. All the attention was towards budgets. The most popular range of planning horizons was 0-1 year (Table 5.7).

Table 5.8 **Plans and Planning Horizons**

	All Supermarkets (n = 22)		Indian-Kenyan Supermarkets (n = 19)		Indigenous-Kenyan Supermarkets (n = 3)	
	n	%	n	%	n	%
Types of plans						
Budgets	22	100	19	100	3	100
Annuals plans	-	-	-	-	-	-
Long term plans	21	95	18	95	3	100
Planning Horizons						
0 - 1 year	22	100	19	100	3	100
1 - 3 years	3	14	2	11	1	33
3 - 5 years	5	23	3	16	2	67
More than 5 years	4	18	3	16	1	33

Source: Interviews

Most of the supermarkets indicated that there was no formality in their planning. Very few of them bothered to communicate plans to the employees. The planning exercise was undertaken by the directors and top managers (Table 5.8, 5.9). This widespread informality in planning may be attributed to the fact that most of these supermarkets are family businesses.

Majority of the supermarkets indicated that they reviewed their plans either quarterly or yearly (Table 5.11). They indicated that their plans covered very short spans of time because of the prevailing economic conditions. The turbulent nature of the economy has rendered long-term planning difficult.

Table 5.9 **Formality in Planning**

Formality of Plans	All Supermarkets (n = 22)		Indian-Kenyan Supermarkets (n = 19)		Indigenous-Kenyan Supermarkets (n = 3)	
	n	%	n	%	n	%
Formal	8	36	6	32	2	67
Informal	14	64	13	68	1	33

Table 5.10 **Participation in Planning**

	All Supermarkets (n = 22)		Indian-Kenyan Supermarkets (n = 19)		Indigenous-Kenyan Supermarkets (n = 3)	
	n	%	n	%	n	%
Directors only	16	73	14	74	2	67
Directors and Managers	6	27	5	26	1	33
Everyone	0	-	0	-	0	-

Source: Interviews

Table 5.11 **Presence of Written Plans**

	All Supermarkets (n = 22)		Indian-Kenyan Supermarkets (n = 19)		Indigenous-Kenyan Supermarkets (n = 3)	
	n	%	n	%	n	%
Written plans	10	46	7	37	3	100
Unwritten plans	12	54	12	63	0	-

Table 5.12 **Review of Plans**

	All Supermarkets (n = 22)		Indian-Kenyan Supermarkets (n = 19)		Indigenous-Kenyan Supermarkets (n = 3)	
	n	%	n	%	n	%
Daily	1	5	0	-	1	33
Weekly	4	18	4	21	0	-
Monthly	2	9	2	11	0	-
Quarterly	7	32	6	32	1	33
Semi-Annually	1	5	0	-	1	33
Annually	7	32	7	37	0	-

5.5.3 Strategies All the twenty two supermarkets had a mix of strategies. Good service to customers was the strategy cited by majority of the supermarkets. Good service was defined by most as comprising of politeness, assistance and listening to customers' complaints. The second most commonly cited strategy was low prices and this was closely followed by availability of credit facilities. Only three out of the twenty supermarkets said that they have changed their strategies over time. The reason given for this was the increasing competition and the prevailing economic situation. All but one supermarket indicated that they intended to maintain their current strategies.

Table 5.13 : **Strategy Involvement**

	All Supermarkets (n = 22)		Indian-Kenyan Supermarkets (n = 19)		Indigenous-Kenyan Supermarkets (n = 3)	
	n	%	n	%	n	%
Presence of strategies						
Present	22	100	19	100	1	100
Absent	0	-	0	-	0	-
Written strategies	5	23	2	11	3	100
Unwritten strategies	17	77	17	89	0	0
Formal development of strategy	5	23	2	11	3	100
Informal development of strategy	17	77	17	89	0	-
Participation in strategy formulation						
Directors only	15	68	14	74	1	33
Directors and managers	7	32	5	26	2	67
Everyone	0	-	0	-	0	-

Source: Interviews

Table 5.14 Strategies stipulated

Strategy	Frequency	Proportion (%)
Good service	18	81.8
Low prices	8	36.4
Credit	7	31.8
Variety of stock	3	13.6
Discounts	1	4.5
Selective stocking	1	4.5
Home Delivery	1	4.5
Advertising	1	4.5
Gifts	1	4.5
Zero Inventory	1	4.5

* Source: Interviews

<u>Note</u>: These strategies are not mutually exclusive. The totals may exceed the total number of respondents.

5.5.4 <u>Competition</u>

All the supermarkets acknowledged the presence of stiff competition in this industry. Most of them (73%) said that they face high competition. They identified their major competitors as all the big supermarkets. The reasons given for this were:

- their size
- their ability to buy large quantities of merchandise sometimes directly from the manufacturers. They are able to get big discounts and in turn offer big discounts to customers. This way they undercut the smaller ones.

- Good physical facilities
- Long Establishment
- Government backing
- Good staff

Those who said competition was moderate were those placed in isolated places with no other supermarket nearby. The supermarkets were then required to indicate the level of importance they attached to certain aspects of competition. The mean scores for each aspect are presented below:

Table 5.15. Scores on Certain Aspects of Competition

Aspect	Mean Score*
Number of supermarkets in the industry	4..05
Competitors' marketing practices	3.72
Supermarkets that may get in in the future	3.36
Competitors' strategies	3.36
Goals of competitors	3.32
Financial strength of competitors	3.23
Competitors' physical and human resources	2.68
Other retail shops	1.41

*Mean Score - Ranked on a 5 point Likert scale .

Source: Interviews.

From the above table, it can be seen that all the aspects of competition apart from retail shops and competitors' physical and human resources, were considered important by all supermarkets. Of all the aspects, the number of supermarkets presently in the industry was considered most important. This could be attributed to the fact that in recent years (1980's and 1990's) several new supermarkets have come up. All the attention is diverted to the increasing number of newcomers into the industry.

The respondents were also required to indicate the level of importance they attached to their customers and suppliers. All the supermarkets indicated that the customer was the most important person to them. All of them said that they always endeavor to ensure that the customer is happy (Table 5.15). Importance was also attached to suppliers but not as much as in the case of customers. This concern with the customer can be explained by the fact that retailing is a "people business". All retailing activities tend to focus on the ultimate consumer. Secondly with the increasing number of supermarkets, each supermarket must keep its customers happy if it hopes to retain them

Table 5.16 **Scores on importance attached to Buyer and Supplier.**

Aspect	Mean score*
Winning customer loyalty	5.00
Handling customer complaints	4.94
Importance of Suppliers	4.50

* Mean Score - Ranked on a point Likert scale

* Source: Interviews

The respondents indicated that they used various strategies (already stipulated) to win customer loyalty. The small supermarkets cited undercutting by the large supermarkets as their major hindrance in winning customers. This is because the large supermarkets enjoy bigger discounts (during purchase of merchandise) than the small supermarkets. They thus can offer lower prices to customers. This market is rather price sensitive and therefore, low prices may go a long way in winning customers for a supermarket. However the small supermarkets said that they capitalised on good customer service to offset their disadvantaged position with respect to prices.

The responses to the question on opportunities and threats in the industry were mixed. Some respondents felt that the industry had few opportunities for supermarkets. Others felt that the industry was potent and if properly developed may be a great success as in America and Europe. 32% of the supermarkets indicated that the industry had vast opportunities for growth. 40% of the respondents felt that they were just surviving and opportunities for growth were diminishing every day. The other 28% were not sure about tne situation. Of all these supermarkets none could give any backing for the view they advanced. Most of them said that it was just a "feeling". This can be attributed to the fact that none of them carried out systematic external analysis. This way it is difficult to establish threats or opportunities in the environment.

The prevailing economic conditions was cited as the major threat. Most of the respondents indicated that the fragile economic situation was leading to difficulties in meeting their objectives. Raw materials were becoming very expensive leading to slacks in manufacturing hence shortages. The cost of production was also leading to escalating product prices. Suppliers were becoming stringent. They were reluctant to extend credit which made it difficult to purchase merchandise. This explains why some supermarkets have adopted the zero inventory strategy (Table 5.10). The other threat cited was that of competition as more and more supermarkets are getting into the industry. Poorly trained personnel, personnel turnover and shop lifting were also cited as threats.

5.5.5 Internal Analysis

The questions here were intended to find out if supermarkets developed a resource profile in a bid to establish their strengths and weaknesses. Only eight (36.4%) of the supermarkets said that they make an assessment of their resources. The rest said that did not find it necessary. Of these eight, only three (37.5%) said that they undertake a formal assessment of their resources (Table 5.16). The most commonly assessed of these was the human resource (personnel). One of the respondents said the employees are asked to appraise themselves. Yavas et al (1985) indicate that in less developing countries, a high proportion of the managers' time is spent on the supervision, inspection and control of subordinates. There is strong emphasis on close supervision and control of subordinates. This fact may explain why the human resource (employees) was the most commonly assessed among the supermarkets studied. Majority of the supermarkets cited good service, staff and variety of merchandise as some of their strengths. Other strengths cited were good prices, finance and long establishment. The weakness most commonly cited was that of control (curbing shoplifting).

On the issue of competitive advantage, service, location and variety of merchandise were the most commonly mentioned. The smaller supermarkets however, indicated that it was quite hard to gain an edge over the bigger ones. This is because, as cited earlier, the bigger supermarkets enjoy a lot of benefits that the smaller ones do not.

Table 5.17: Internal Analysis

	All Supermarkets (n = 22)		Indian-Kenyan Supermarkets (n = 19)		Indigenous Kenyan Supermarkets (n = 3)	
	n	%	n	%	n	%
Assessment of resources	8	36	5	26	3	100
No assessment of resources	14	64	14	74	0	-
Formal Assessment of resources	3	14	2	11	1	33
Informal assessment of resources	5	23	3	16	2	67

* Source: Interviews

5.5.6 External Analysis

The respondents were required to indicate the level of importance they attach to certain aspects of the external analysis. Those aspects were ranked on a 5 point likert scale. A mean score was computed for each aspect (Table 5.17).

Table 5.18 **Mean scores on various aspects of the External Analysis**

Aspect	Mean score*
Economic Trends	4.5
Market Trends	4.41
Competitors	3.8
Technological changes	3.23
Social cultural Trends	2.73
Population shifts	2.5
Political legal factors	2.32

Mean Score* Ranked on a 5 point Likert scale;

Source : Interviews.

From the above table economic and market trends were regarded as very important by all the respondents. Competition was also regarded as very important especially by those supermarkets within the City Centre. The mean score was lowered by those supermarkets located in "isolated" areas who said that competition was moderate. The supermarkets within the City Centre were more conscious about competition than their counterparts in slightly isolated places. This because the former are concentrated in one place and are directly competing for the same customers. The economic trend was given a lot of weight because it affects profits directly. Profit is a dominating concern for these supermarkets. Out of the twenty two supermarkets studied, only four (18%) of them said that they put a deliberate effort in searching for information about the various aspects of the external environment. One of the supermarkets said that this task is not designated to anyone in particular so any manager can undertake it. Two of the supermarkets said that this activity is assigned to the purchasing department. The other supermarket said that they have engaged an economist to do this work. The remaining eighteen (83%) supermarkets said that this activity was done informally. Some of these informal ways were through newspapers, radio and television. This informality may be attributed to the patrimonial management of these supermarkets. It may also be explained by the fact that this information is not readily available. The supermarkets were not willing to take up the challenges involved in searching for this information.

Most of the supermarkets indicated that the business environment they were operating in was fairly stable (Table 5.18). The reason given for this was that apart from the frequent economic changes, the rest of the environmental aspects were relatively placid.

Table 5.19 : The Business Environment

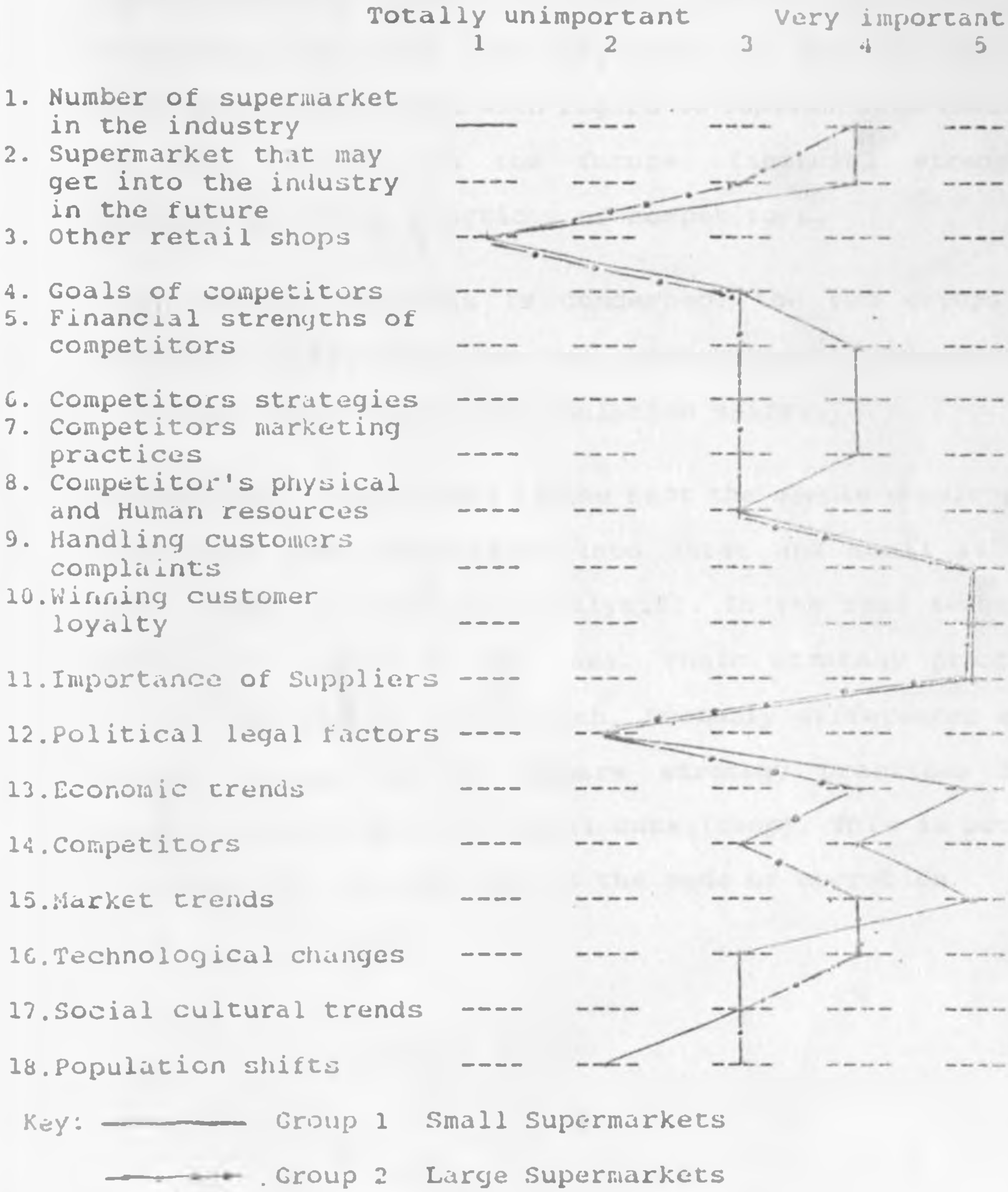
Definition	Frequency	Proportion (%)
Stable	11	50
Fairly stable	11	50
Unstable	0	-
Fairly Turbulent	0	-
Turbulent	0	-
Total	22	100

Source: Interviews

5.5.7 THE LIKERT TYPE PROFILES

Before the Mann Whitney U test was conducted two Likert type profiles were drawn. These were meant to visually present any differences between the various subsamples with respect to external analysis, competitor analysis and market (customer) analysis.

Figure 5.4: Likert Type profile 1 - Based on large and small supermarkets

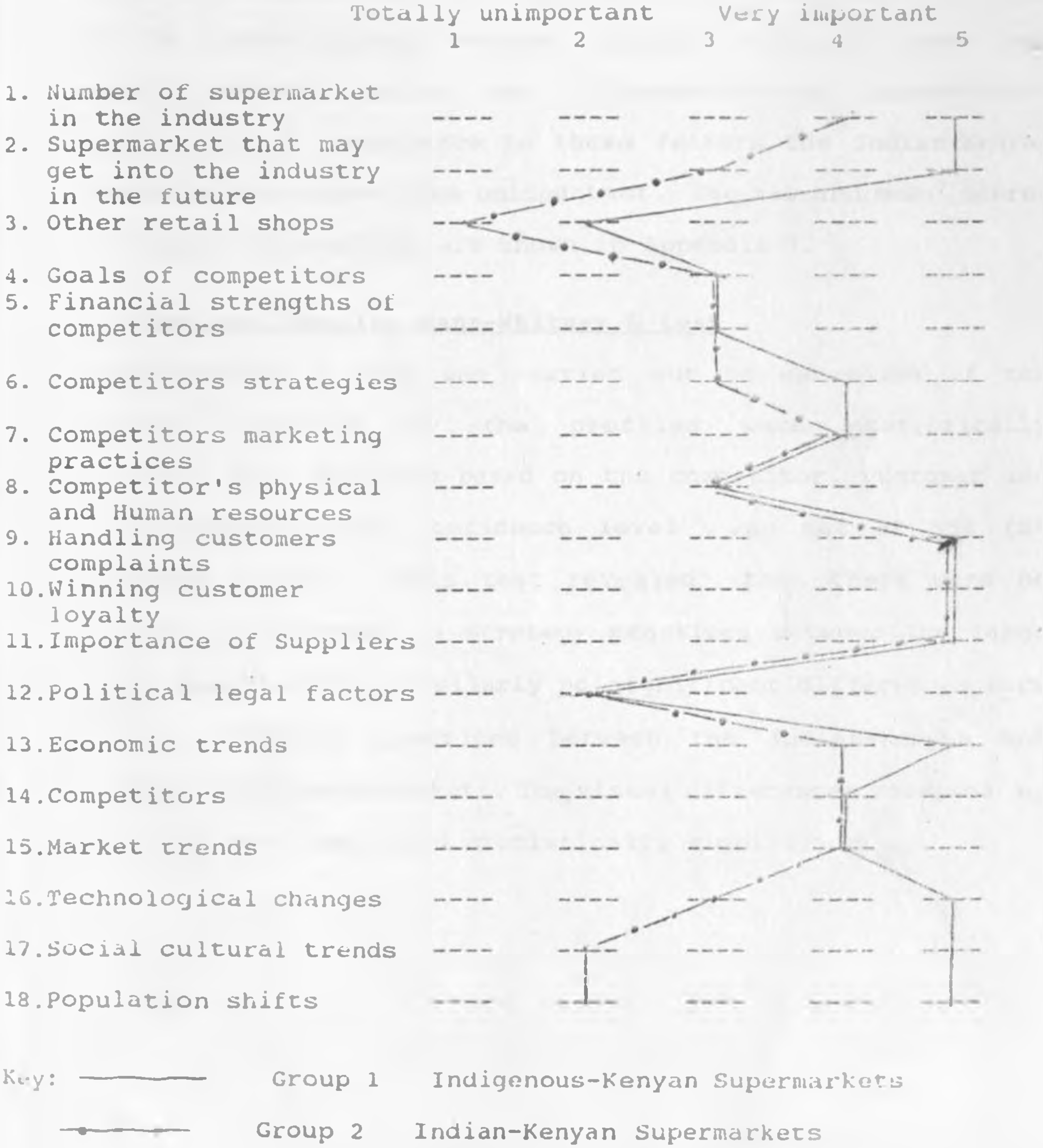


From the above profile, it can be concluded that the small and large supermarkets are similar in their strategy practices. The few differences that occur are very small no greater than one point. Such differences exist with regard to supermarkets that may get into the industry in the future, financial strengths, strategies and marketing practices of competitors.

As far as customer analysis is concerned, the two groups are identical. Small differences are seen with regard to economic and market trends, competitors and population shifts.

This situation may be explained by the fact the sample consists of large retailers. The subdivision into large and small is only analytical (meant to facilitate analysis). In the real sense the supermarkets are basically the same. Their strategy practices would not be expected to differ much. Probably differences would be expected if one was to compare strategy practices in a supermarket with the same in a small duka (shop). This is because these two differ in size as well as the mode of operation.

Figure 5.5 : Likert Type Profile 2 - Based on Indian-Kenyan and Indigenous-Kenyan Supermarkets



This profile is similar to profile 1 with regard to competitor and customer analysis. However some differences were observed with regard to technological changes. social cultural trends and population shifts. While the Indigenous-Kenyan supermarkets attached a lot of importance to these factors the Indian-Kenyan supermarkets considered them unimportant. The raw and mean scores used to plot the profiles are shown in Appendix 7.

5.5.8 <u>Findings from the Mann-Whitney U test</u>

The Mann-Whitney U test was carried out to establish if the differences revealed by the profiles were statistically significant. This test was based on the competitor, customer and external analyses. The confidence level was set at 95% (5% significance level). This test revealed that there were no significant differences in strategy practices between the large and small supermarkets. Similarly no significant differences were found in strategy practices between the Indian-Kenyan and Indigenous-Kenyan supermarkets. The visual differences revealed by the profiles were not found statistically significant.

Table 5.20 : Results of the Mann-Whitney U Test Subsample 1 - Based on Size

Raw Scores

65 65 57 69 72 67 46 33 66 69 82

60 73 72 72 54 39 50 71 69 59 67

Table 5.19

Ranks

	Small Supermarkets	Large Supermarkets
1.	9.5	
2.		9.5
3.	6	
4.		14.5
5.		18.5
6.	12.5	
7.		3
8.	1	
9.	11	
10.	14.5	
11.	22	
12.		8
13.		21
14.	18.5	
15.		18.5
16.	5	
17.		2
18.	4	
19.	17	
20.	14.5	
21.	7	
22.	12.5	
	n = 14	n = 8
	R = 155	R = 95

Source: Interviews

Table 5.21 : Results from the Mann-Whitney Test

Subsample 2 - Based on Ownership

Raw Scores

65 67 33 66 69 72 54 51 72 69 60
69 51 69 46 60 76 72 39 65 82 65

Ranks

	Indian-Kenyan Supermarkets	Indian-Kenyan Supermarkets
1.		9.5
2.	9.5	
3.	6	
4.		14.5
5.		18.5
6.		12.5
7.		3
8.		1
9.		11
10.		14.5
11.	22	
12.		8
13.		21
14.		18.5
15.		18.5
16.		5
17.		2
18.		4
19.		17
20.		14.5
21.		7
22.		12.5
	n = 3	n = 19
	R = 37.5	R = 212.5

5.6. COMPARISON WITH OTHER EMPIRICAL STUDIES

In this section the findings of this study are compared with those of other studies carried out on strategy activities in Kenya and abroad. Aosa (1992) found that majority of the companies he studied had no explicit mission statements. "If they existed at all it was vaguely in the minds of top mangers", (Aosa, 1992:246).. This finding is similar to what I found out about the supermarkets that I studied. Only four (18%) out of the twenty two supermarkets said they had a mission. Out of these, only two had it in written form. The strategy planning theory stipulates that explicit, written mission statements are preferred to vague unwritten ones.

Adegbite (1986) studied twenty companies in Nigeria. He found out that all these companies had formal corporate objectives, in many cases written down and well articulated. This is contrary to the findings of the current study and that of Aosa (1992). In the current study though all the supermarkets indicated that they had objectives, these did not appear to play a pivotal role in resource allocation. In most cases these objectives were unwritten and not communicated to other people in the supermarket. Commitment to such objectives was loose. Aosa (1992) had similar findings. Shumpusho (1983) had differing findings. 67% of the companies he studied had written objectives.

The divergence in findings may be attributed to the kind of companies Shumpusho and Adegbite studied. Both studied subsidiaries of multi-national companies. The formality in setting objectives and commitment to the same may be attributed to foreign influence.

As far as communication of these objectives is concerned, the findings of the study concur with those of Adegbite to a large extent. 50% of the companies he studied communicated objectives to senior managers only. This was also the case among the supermarkets I studied. 59% of them communicated the objectives to directors and senior managers only. This general reluctance to communicate objectives or allow participation by subordinates can be explained by social-cultural aspects. Nambudiri and Saiyidain (1978) note that the social-cultural aspects of a society shape its management practices and problems to a large extent. The African culture emphasises authority and power. Power is centralised and decision making usually takes place at the top. There is very little delegation of authority and subordinates are kept out of the mainstream of the business (Wanjui, 1986; Jones 1988; Mamadou, 1991). The issue of double- exclusivity may also have contributed to this state of affairs. The Asians (being immigrants) may have felt isolated and despised by the host community. This may have made them lose confidence and trust in the latter. They are thus reluctant to let them take an active part in the running of their businesses.

The objectives stipulated by respondents in this study are similar to those of Rue (1974), Boulton et al (1982) and Shumpusho (1983).

The ranking of these objectives also corresponds with that of Shumpusho (1983) and Fubara (1986). 84% of the companies Fubara studied rated profitability as a very important objective. 86% of those studied by Shumpusho also rated it highest. This situation can be explained by the state of the Kenyan economy. Kenya (and other African countries) are at early stages of their industrialisation process. The income levels of the population are low and the internal market small. There are several supermarkets (and small firms in general) competing to serve the limited market. Profitability therefore becomes the primary concern of these businesses and every other objective is secondary. This is because unless the firms earn good returns they may be pushed out of business by their competitors.

Findings by Adegbite (1986) on planning practices differed with those of this study. Adegbite noted that may of the companies he studied had fairly well-developed. corporate planning systems in operation. The planning horizon was over a period of three years. This is contrary to what Fubara (1986) found. Though 80% of the companies he studied indicated the presence of formal long-range plans, further investigation revealed that these were extrapolated annual budgets and not long-range plans. He observed a general absence of formal long-range plans. The planning horizons were also shorter. Unlike Adegbite, what Fubara found was informal planning. Fubara's finding are similar to the findings of this study. Wee et al (1989) in their study in Singapore found that most firms engaged in short term planning. Planning beyond five years was rare. Shumpusho (1983) had findings similar to those of Adegbite. He found that strategic planning was very well done among the companies he studied. All the companies studied used existing tools in carrying out corporate planning. Corporate planners were staff specialists conversant with the skills of strategic planning techniques. As already explained, Adegbite's and Shumpusho's findings may be explained by the kind of companies they studied.

Most of the studies conducted elsewhere (America, Europe) have findings contrary to those of this study. While most of them document formal long-range planning (Ringbakk, 1969 Denning and Lehr, 1971; Eppink et al, 1976; Bhatty, 1981) this study indicates informal planning spanning 0-1 year. Such variations may be attributed to environmental and sectorial differences.

Though all the supermarkets studied indicated that they have strategies, few of them showed any serious commitment to them. These strategies were informally developed and rarely communicated to the employees. Only directors took part in this exercise. The strategies were not actively used in attaining a competitive edge. Very few of the supermarkets appeared to be doing anything different from their competitors. This may be attributed to the fact that supermarketing is just gaining root in Kenya. The predominating concern currently is profit. This is why strategies like low prices and good customer services are common among all the supermarkets. This way they hope to attract more customers and thus make more profits. Strategies such as availability of parking lots and longer working hours are still secondary.

Majority of the supermarkets studied did not appear to do enough competitor analysis. One supermarket indicated that it sends people to spy on other supermarkets. Others said that getting this information was rather difficult and so they chose not to do it. Yet others said that competitors' strategies, resources and marketing practices did not concern them. On the whole competitor analyses was rather informally done. This concurs with Aosa's (1992) findings among the private manufacturing firms in Kenya.

The findings of this study on external analysis correspond with those of Rue (1974). Rue observed that many companies were reluctant to undertake external analysis because of a lack of experience and information in attacking the problem. Aosa (1992) made a similar observation with most of the companies he studied indicating that they found difficulties conducting environmental scanning. Where the activity was carried out, it was informal and unsystematic. Of all the twenty two supermarkets studied only four (18%) indicated that they carry out this exercise formally. However Shumpusho (1983) had findings contrary to this. He found that environmental analysis was done very well among the companies he studied. The reason for the difference in Shumpusho's findings is (as already discussed) the kind of companies he studied.

Rue noted that when premising was done the most popular consideration was the national economic trend. The national economic trend and market trend were the most popular in this study. The reasons Rue gave for this are, that probably such information is readily available. Secondly, managers can easily envison a relationship between national economic trends and their business. These same reasons obtained for this study. The supermarkets' primary concern were those environmental factors that directly affected their profits. Secondly there was the general consensus that information on economic trends was more readily available than on the other elements of the external analysis.

The general informality in strategy practices in the supermarkets studied can be attributed to the form of ownership and control. The supermarkets are patrimonially run even if some of them warrant professional management. Reasons for not taking up professional management may be due to lack of trust and double-exclusivity (for the Asians). It may also be due to reluctance delegate. Delegation of responsibility is accompanied by delegation of authority. Most of the managers of these supermarkets may be unwilling to part with such authority.

CHAPTER 6

OVERALL DISCUSSION OF RESULTS

6.0 SUMMARY AND CONCLUSION

In chapter two, a model of strategic management was discussed. The model brought out various components of the strategy development process. These included missions and objectives, plans, strategies, competitor analysis, internal analysis and external analysis.

Majority of the supermarkets studied did not have explicit mission statements. Most of them did not understand what the statement entailed and of what use it would be to them. What was done and how it was done largely rested with the directors . As far as objectives were concerned, most of them were stated vaguely. They were not expressed in measurable terms and were not specific to a time span. Most of the supermarkets did not write these objectives down or communicate them to the employees. The reason for this (as already discussed elsewhere) is that the supermarkets are patrimonially run. Everything that is to be done depends on an individual's intuition and visions. No form of reference exists to facilitate operations.

Planning was informally done and the horizons were short (0-1 year). Planning was not anyone's special designation and no separate planning departments existed. Few supermarkets developed integrated plans. Even what they called long-term plans were just things they hoped would happen some time in the future. They were not committed to them. Strategic management theory requires that enterprises are committed to long-term planning. One way to show this commitment is the establishment of separate planning departments. The patrimonial management of these supermarkets explains the absence of formal planning. The adverse economic situation may also be contributing to the short planning horizons.

The competitor, internal and external analyses were informal and unsystematic. This limited the supermarkets ability to know their strengths, weakness, opportunities and threats (SWOT analysis). It also limited their chances of developing a sustainable edge over their competitors.

Strategic management theories state that size of an enterprise has an effect on the extent of involvement in strategy development. The bigger the enterprise, the more likely it is to be committed to the development of strategy. This study appears to question this imperative. No significant differences in strategy practices were found between the large and small supermarkets. However it must be noted that the division into large and small supermarkets is only analytical (for purposes of comparisons). The supermarkets constitute the group "large retailers" and so share several characteristics. Secondly there were no extremes in size i.e. none were too small or too big.

Butcher and Mainelli (1990) gave five forms of strategic management (as presented in chapter two). From the findings of this study, strategy practices in the retailing industry are far from the complete strategic management form. What the supermarkets exhibited is a blend of minimal and budgetary forms of strategic management. Most supermarkets were run on intuition and they relied on an individual's ability to pursue long-term goals and visions. Most of the activities were informal and budgets were used to support operations.

Another conclusion that can be drawn from this study is that the theoretical advances in strategy development are way ahead of the practice in the retailing sector in Kenya. Strategic management theory advocates explicit mission statements which should be in writing. Objectives and plans should be formally developed and written down. Formal long-range planning is also recommended. Very little of this was found among the supermarkets studied.

Theoretical studies indicate that one of the primary purposes of strategy is to assist an enterprise to gain a competitive edge. However the supermarkets did not seem to be using strategy to achieve an edge over their competitors. Apart form the use of price and customer service no other strategy was actively used. Even then these were strategies which every supermarket used so that they (supermarkets) were not very different. This (as earlier stated) may be attributed to the fact that currently, profit is the dominating concern. Most of the supermarkets are concerned with the factors that touch directly on their profits. Other strategies (such as longer opening hours) are considered as secondary.

The size of the sample may not allow for overall conclusions. Nevertheless, from those studied, strategy practices were found to be informal. Most of what is done is implicit. This can be attributed to the patrimonial management of the supermarkets.

6.1. IMPLICATIONS OF THE STUDY:

The findings of this study indicate that supermarkets must step up their strategic management practices. They must encourage formal long-range planning because it is futuristic. The absence of this element in annual and extended budgeting inhibit corporate strategy and therefore leaves enterprises to 'muddle through' and to succumb easily to the turbulence in the economy.

Objectives should play a pivotal role of focusing resources and efforts in the supermarkets. Everyone must be aware of them so that they can work together towards their achievement. This way, unity of direction and probably better results will be achieved.

Porter's (1980) model talks of the 3C's of strategy; customer competitor and the company. An enterprise should monitor its competitors because they are trying to give value to the customers just like the company itself. Concern should not be on the customer alone. The competitor must also be closely monitored. The supermarkets studied seemed to pay all attention to customers and almost none to competitors. This may lead to inefficiencies. A company must monitor what the competitors are doing so that it is able to offer value to customers at a cost lower than theirs.

and thus gain on edge over them. This relationship can be depicted as shown:

Customer

Company   Competitor

Supermarkets must also learn to use strategy to gain an edge over their competitors. Few supermarkets indicated any active use of strategy to gain a competitive edge. Most seemed to have succumbed to the idea that competition was too much and it was difficult to outdo competitors. Some even resulted to fatalism.

> "Ido not bother about competitors. I leave my business to Allah. What Allah has planned for me is what I will get" (Director, S5).

Others felt that at the end of the day everyone had their group of customers. There was no need to put too much effort in fighting competitors.

This fatalistic attitude is damaging and could lead to less than optimal output. Supermarkets must device ways to gain and maintain an edge over their competitors. Some supermarkets were making positive moves in this direction. Some of the approaches (strategies) being used were home delivery and credit facilities to customers. One of the supermarkets said that it bakes its own bread and sells to other supermarkets.

As regards environmental scanning, supermarkets must learn to undertake it in a formal and systematic way. This way they will be able to know opportunities and threats in the environment and how to deal with them. It may be difficult to obtain this information but the supermarkets must put an effort towards getting it. This is the only way they can identify and avert any threats in the environment. This is also the only way they can identify and utilize any opportunities in the environment. An understanding of the environment within which an enterprise is working is vital. This enables the enterprise to develop a fit between itself and the environment. This enhances its chances of survival.

Supermarkets in Kenya need to step up their strategy practices. They must introduce some formality into their planning, setting of objectives and strategies. This will enhance commitment to the practice and may lead to better performance. They must also develop mission statements for their supermarkets so as to give some form of reference to their customers and employees alike. This is imperative especially now because they are faced with stiff competition and an erratic economy. Strategy has been found to help businesses in such situations.

It may also be advisable to turn to professional management. With the increasing competition these supermarkets may need people with management skills to run them. Professional management stipulates that those holding management positions are chosen on the basis of skill, competence and experience. Such managers have the potential of performing efficiently and effectively.

6.2. LIMITATIONS OF THE STUDY:

Some of the limitations of this study arise out of the use of a survey to collect data. The weaknesses of survey research are potential limitations in this study. Some of these weaknesses are:

- Surveys are obtrusive and as such can affect respondents' responses
- Self reporting is not always accurate or true
- The use of a structured questionnaire predetermined the questions respondents were supposed to answer. In some cases, respondents answered the questions even when they did not understand them.

However the execution of this study was done with a lot of care so as to minimise these limitations as far as possible.

The second limitation was the paucity of past studies on which to base this one. This therefore meant that I had to collect information on several aspects of strategy. This may have sacrificed the benefits of a narrowly focused study.

Thirdly, the study just took one dimension of strategy development: the rational-analytical model. This presupposed deliberate strategy development. However as Mintzberg and Waters (1985) noted, strategy can be deliberate or emergent. Power and behavioural aspects are also imperative in strategy development (Etzioni, 1989; Kotter 1982). The findings of this study should therefore be seen in this context.

Fourthly, there were problems with the level of awareness among the respondents. Most did not seem to understand the concepts under study and very often these concepts had to be elaborated. Sometimes some value was lost in this process (dilution of concepts). In some instances, the researcher had to interview respondents in Kiswahili. This led to some loss of value given that no professional translation had been done in advance.

Fifthly, there were practical constraints. I was operating within limited time and resources. This affected the size of the sample I could achieve. I had to conduct these interviews alone and this limited the number of supermarkets I could visit. However, I was able to achieve a sample that allowed me to go on with the study.

Though the findings of this study have been compared with those of studies done elsewhere, a number of factors need to be taken into account in this respect:

- The other studies were carried out in different countries and at different times. Some of the variations found therefore may be reflecting contextual and time differences.
- Even those studies carried out in Kenya were carried out in sectors other than retailing. The variations observed may be reflecting sectorial differences.

6.3. RECOMMENDATIONS FOR FURTHER RESEARCH.

This study documented strategy practices in the retailing sector. Its focus was rather wide. A recommendation in this respect is that one can take individual aspects of these practices and study them. Such a narrow focus will achieve greater depth thereby providing further insights into the strategic management practices in Kenya.

Most of the supermarkets studied were found to be informally run. Further research work is needed to find out why they continue to be informal even in the face of stiff competition that they are now facing.

APPENDIX 1: List of Supermarkets Visited

1) Uchumi
2) Ebrahims
3) Jack and Jill
4) A and D
5) Quick Pick
6) Vijico
7) Green Spot
8) Corner
9) Ronny's
10) Sippy's
11) Tusker Mattresses
12) Makro
13) Nakumatt
14) Shaflus
15) Tristar
16) Mumsies
17) Feine Fayre
18) General foods
19) Goodfare stores
20) Gulabchand
21) Jamia
22) Ushirika
23) Woolworths
24) K and A
25) Aladin Lalji and Sons
26) Crosby
27) Ladywood Farm, Store
28) Westlands General store
29) Westlands Supermarket
30) New Westlands Store
31) Spicy Spicers
32) Spring valley
33) Super value
34) Hurlingham Grocers
35) African Grocers
36) Sai Supermarket
37) Chandarana
38) Harry's
39) Sainsbury
40) Continental
41) Sunbeam
42) His & Hers
43) Ken's
44) Sella
45) Gigiri Supermarket
46) Pricerite
47) Suriha
48) Karanja's
49) Greenfield
50) Ruhle

51) Star
52) Ahmed Karim Supermarket
53) Rikana
54) Eremo
55) Safeways
56) Camesh
57) Henenetta's
58) Caledonian
59) Umoja Mini Market
60) Wab
61) Tip Top
62) Vumira
63) Peponi Grocers
64) Buruburu Supermarket
65) Furaha
66) Toyo
67) Marja
68) Muthaiga
69) Bashir
70) Santoshi

APPENDIX 2a : <u>LETTER TO THE RESPONDENTS</u>

Karemu, C.K.
University of Nairobi
Faculty of Commerce
P.O. Box 30197
NAIROBI.

Dear Sir/Madam,

I am a Postgraduate student under a Master of Business and Administration (M.B.A.) Program in the Faculty of Commerce, University of Nairobi. I am researching in the area of "STRATEGIC MANAGEMENT PRACTICES IN THE RETAILING SECTOR." I would highly appreciate if you would provide me with some of the information needed for this study by completing the questionnaire attached.

The information you provide will be used for academic purposes only and will be treated in strict confidence.

Thank you.

Yours Faithfully,

Karemu, C.K.

APPENDIX 2b : QUESTIONNAIRE

SUPERMARKET DATA

1.Supermarket Name:

2. Year of Establishment:

3. Size at establishment,in terms of:

Trading Space (in sq. metres)

Number of Employees

Number of Branches

Sales Turnover for the first year of operation (Kshs.)

4. Size today, in terms of:

Trading space (in sq. metres)

Number of employees

Number of branches

5. Management/Ownership at Establishment (tick as appropriate)

Wholly Foreign ( )

Wholly Local ( )

Joint Ownership ( )

6. Management for the last five years (fill if Foreign, local, or joint ownership)

1992 1990 1988

1991 1989

7. Please give approximate figures of your sales turnover for the last five years (Kshs.)

1992 1989

1991 1988

1990

(I) GENERAL INFORMATION

1. Supermarket Name:
2. Title of the Respondent:
3. How long have you been with this Supermarket?
4. What is your past work experience?

(II) MISSIONS AND OBJECTIVES

5. a) Doyou have a Mission statement for your supermarket?

   Yes/No

   b) If yes, what is it?

   c) Is it a written statement? Yes/No

   d) Have you had to change your mission statement since your establishment?

   e) If so, what was the prime reason(s) for the change

6. Do you have any set objectives for your supermarket? Yes/No

   a) If yes what are they? (Rank them in order of importance attached to each- from most to least importance)

   1)
   2)
   3)
   4)
   5)

   b) At what levels are these objectives set?

   c) Who participates in the setting of these objectives?

   d) Is everyone in the supermarket aware of these objectives?

   Yes/No

   e) How do you communicate them?

   f) Are these objectives in written form? Yes/No

   g) What do you find as the major hindrance(s) to the attainment of your objectives? (Rank them starting with the most important)

1)
2)
3)
4)
5)

(III) PLANNING

7. a) What types of plans do you have ?

b) When were they first developed ?

c) What time periods do they cover ? (tick where appropriate) .

0-1 year ( )

1-3 years ( )

3-5 years ( )

5 years and beyond ( )

d) How are these plans developed?

e) Who participates in the development of these plans?

f) Are these plans written once you develop them? Yes/No

g) How often do you review these plans?

h) What factor(s) affect your planning most? (Rank them starting with the most important)

1)

2)

3)

4)

5)

(IV) STRATEGIES

8. a) Has this supermarket developed any strategies for operation? Yes/No

b) If so what are they?

c) Have you changed these strategies over time? Why?

d) Do you intend to maintain these current strategies? Why/ Why Not?

e) How do you develop these strategies?

f) Who is involved in this exercise?

g) Are these strategies in written form? Yes/ No

h) Do you have strategic plans? Yes/No

i) Are they in written form? Yes/No

j) What problems, if any, have you faced in developing and effecting these strategies? (Rank them starting with the most important)

1)

2)

3)

4)

5)

(V) COMPETITION

9. a) What kind of Competition do you face?

   b) Who do you view as your major competitor(s)? Why?

   c. Indicate the level of importance your supermarket attaches to the following aspects of competition:

	Totally unimportant 1	2	3	4	Very Important 5
i) the number of supermarkets that presently compete with you					
ii) the supermarkets that may get into the industry in the future					
iii) other retail shops					
iv) the goals of your competitors					
v) the financial strength of your competitors					
vi) Competitors' current strategies					
vii) Competitors' marketing practices					
viii) Competitors' physical and human resources					

(VI) BUYER AND SUPPLIER

10. Indicate the importance your supermarket attaches to these activities:

	Totally unimportant 1	2	3	4	Very important 5
i) Handling customer complaints					
ii) Winning customer loyalty					
iii) Suppliers of your merchandise					

b) What difficulties do you face in this light?

c) What opportunities, if any, do you see in the industry?

d) How about threats?

(VII) INTERNAL ANALYSIS

11. Do you make assessments of all your resources? Yes/No

Explain how you go about it

a) What do you consider as your main strength(s)? (Rank them starting with the least important)

1)
2)
3)
4)
5)

b) How about weaknesses ?

c) What do you feel that you do better than your competitors? Why?

d) What do you see as your competitive advantage? Why?

12. Indicate the extent to which information on the following factors is considered in the running of your business

	Not Considered 1	2	3	4	Highly Considered 5
i) Political-Legal factors					
ii) Economic Trends					
iii) Competitors					
iv) Market Trends					
v) Technological Changes					
vi) Social- Cultural Trends					
vii) Population Shifts					

b) How do you collect information on the various aspects of your business environment?

c) Who is in charge of this activity?

d) How would you describe your business environment? (tick as appropriate)

Stable	( )
Fairly Stable	( )
Unstable	( )
Fairly turbulent	( )

APPENDIX 4: Opperational Definations

1.Mission statement

A statement which defines why an organisation is in existence. It also explains what business an organisation is in.

2. Strategy

A business approach. The means used to achieve the end (objectives).

3. Formality

By this I mean deliberateness in an activity such deliberateness is indicated by spending time on the activities designating responsibilities for the activity, existence in writing of the activity and communication of the activity to others.

4.Stable environment

An environment with minimal changes.

5.Turbulent Environment

An environment with several changes. These changes are frequent in nature.

6. Supermarket

For the purposes of this study, a supermarket was defined as an enterprise meeting this criteria:

- Sells both food and non-food items under the same roof
- Employs self-service retailing

APPENDIX 5 :<u>Coding of Questions</u>

1. Presence or absence of a mission

   Presence=1
   Absence =0

2. Written Missions=1
   Unwritten Missions=0

3. Change of Mission=1
   No Change=0

4. Presence of Objectives=1
   Absence of Objectives=0

5. Levels at which Objectives are set

   Top=1
   Middle=2
   Low=3

6. Participation in Setting Objectives

   Directors only=1
   Directors and Managers=2
   Everyone=3

7. Aware about objectives

   Everyone=1
   Not Everyone=0

8. Communication of Objectives

   Formally=1
   Informally=2

9. Written Objectives=1
   Unwritten Objectives=0

10. Types of Plans

   Budgets=1
   Annual Plans=2
   Long-Term Plans=3

11. Planning Horizons

0-1 Year=1
1-3 Years=2
3-5 Years=3
5years and Above=4

12. Development of Plans

Formally=1
Informally=2

13. Participation in the Development of Plans

Directors only=1
Directors and Managers=2
Everyone=3

14. Written Plans=1
Unwritten Plans=0

15. Review of Plans

Daily=1
Weekly=2
Monthly=3
Quarterly=4
Semi-Annually=5
Annually=6

16. Presence of strategies=1
Absence of strategies=0

17. Change of strategy=1
No Change=0

18. Development of Strategy

Formally=1
Informally=2

19. Involvement in Strategy Development

Directors only=1
Directors and Managers=2
Everyone=3

20. Written Strategies=1
Unwritten Strategies=0

21. The kind of competition faced

Very High=1
High=2
Moderate=3
Low=4
Very Low=5

22. Assessment of Resources

Done=1
Not Done=0

23. Formal Assessment of Resources=1
Informal assessment of Resources=2

24. Collection of Information on the Business environment

Formally=1
Informally=2

25. The Business Environment

Stable=1
Fairly Stable=2
Unstable=3
Fairly Turbulent=4
Turbulent=5

APPENDIX 6: Classification of Supermarkets on the basis of Size and Ownership

Large Supermarkets

	Trading space	Check-outs
L2	4,000	4
L4	9,500	7
L5	10,000	5
L7	5,000	3
L12	4,000	4
L13	5,500	4
L14	5,500	3
L17	4,000	4

Small Supermarkets

	Trading space	Check-outs
S1	2,000	2
S3	2,000	2
S6	900	1
S8	665	1
S9	2,500	1
S10	1,500	2
S11	2,250	1
S14	1,000	2
S16	1,800	2
S18	2,500	2
S19	1,000	2
S20	2,250	1
S21	2,000	2
S22	1,500	1

Indian - Kenyan Supermarkets		Indigenous-Kenyan Supermarkets
I1	I15	K2
I4	I16	K3
I5	I17	k11
I6	I18	
I7	I19	
I8	I20	
I9	I21	
I10	I22	
I12	I14	
I13		

APPENDIX 6: Classification of Supermarkets on the basis of Size and Ownership

Large Supermarkets

	Trading space	Check-outs
L2	4,000	4
L4	9,500	7
L5	10,000	5
L7	5,000	3
L12	4,000	4
L13	5,500	4
L14	5,500	3
L17	4,000	4

Small Supermarkets

	Trading space	Check-outs
S1	2,000	2
S3	2,000	2
S6	900	1
S8	665	1
S9	2,500	1
S10	1,500	2
S11	2,250	1
S14	1,000	2
S16	1,800	2
S18	2,500	2
S19	1,000	2
S20	2,250	1
S21	2,000	2
S22	1,500	1

Indian - Kenyan Supermarkets		Indigenous-Kenyan Supermarkets
I1	I15	K2
I4	I16	K3
I5	I17	k11
I6	I18	
I7	I19	
I8	I20	
I9	I21	
I10	I22	
I12	I14	
I13		

APPENDIX 7: Raw and Mean Scores for the Likert Profiles

Likert Profile 1

	Raw Scores		Mean Scores	
	G1	G2	G1	G2
Number of supermarket in the industry	54	30	3.9	3.8
Supermarket that may get into the industry in the future	53	21	3.8	2.6
Other retail shops	20	11	1.4	1.3
Goals of competitors	46	25	3.2	3.1
Financial strengths of competitors	50	21	3.6	2.6
Competitors' strategies	51	23	3.6	2.9
Competitors' marketing practices	55	26	3.9	3.3
Competitors' Physical and Human resources	39	20	2.8	2.5
Handling customers complaints	69	40	4.9	5
Winning customer loyalty	70	40	5	5
Importance of Suppliers	65	37	4.6	4.6
Political legal factors	32	19	2.2	2.3
Economic trends	64	35	4.6	4.3
Competitors	59	26	4.2	3.2
Market trends	64	33	4.6	4.1
Technological changes	43	28	3.1	3.5
Social cultural trends	37	23	2.6	2.9
Population shifts	32	23	2.3	2.9

Key : G1 = Small Supermarkets
G2 = Large Supermarkets

Likert Profile 2

	Raw Scores G1	Raw Scores G2	Mean Scores G1	Mean Scores G2
Number of supermarket in the industry	15	74	5	3.9
Supermarket that may get into the industry in the future	15	59	5	3.1
Other retail shops	6	25	2	1.3
Goals of competitors	15	61	3	3.2
Financial strengths of competitors	10	61	3.3	3.2
Competitors' strategies	11	63	3.6	3.3
Competitors' marketing practices	11	71	3.6	3.7
Competitors' Physical and Human resources	10	49	3.3	2.6
Handling customers complaints	15	94	5	4.9
Winning customer loyalty	15	95	5	5
Importance of Suppliers	15	87	5	4.6
Political legal factors	6	45	2	2.4
Economic trends	15	84	5	4.4
Competitors	13	72	4.3	3.8
Market trends	12	83	4	4.4
Technological changes	15	56	5	2.9
Social cultural trends	15	45	5	2.4
Population shifts	14	41	4.6	2.2

Key : G1 = Indigenous-Kenyan Supermarkets
G2 = Indian-Kenyan Supermarkets

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