STRATEGIC RESPONSES TO CHANGING ENVIRONMENT AT LLOYD MASIKA

Presented By

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Declaration

I declare that this is my original work and has not been presented for a degree in any other university.

Sign: .... Date: ..21/11/08..................

This project has been submitted for examination with my approval as university supervisor

Sign: .... Date: ..21/11/08..................

Lecturer, Nairobi University

Dedication

This project is dedicated to my family for their support during the time of preparation of the same.

Acknowledgement

This research project would not have been possible without the input of the following people to whom I am deeply indebted. First, I acknowledge my university supervisor who gave me focus and direction on how to go about the research project.

I also acknowledge the entire staff at the various libraries visited for assisting in obtaining the information that I needed. Without your support, I would not have reached this far.

I also thank my family and friends who had to put up with me during the entire research period. I was not able to be with them all the time and their encouragement has finally seen me achieve my dream.

Finally, I thank the Almighty God for the life and strength He gave me. His protection has seen me through the turbulent times.

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Abstract

External pressures resulting from public opinion, regulations, the green movement and financial enterprises, and internal drivers related to a change in employees' awareness, have led companies to consider the environment in strategic management (Muturi, 2003). Academics and practitioners have attempted to improve understanding of firms' environmental strategies by characterizing their environmental actions. The major interest of the past studies was how to describe and predict a trend and change in corporate environmental management and strategy.

Environment has been characterized as complex, dynamic, multi-facet and having far reaching impact (Kazmi 2002). As a result, of these characteristics, the environment is composed of various factors, events, conditions and influence which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character. A fundamental change is occurring in the world economy whereby the world economies are witnessing the forces of globalization and liberalization of trade. The phenomenon of globalization, according to Muturi (2003) refers to "the fact that people around the world are becoming more and more knowledgeable about each other," this is expected to increasingly affect the real estate sector

This study is a case study; it seeks to achieve the objectives of the study, which were to establish the strategic response to external environment of Lloyd Masika. The importance of a case study is emphasized by Young (1960) who acknowledged that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. It's a method that drills down, rather than cast wide.

The study will mainly use primary data which will be collected through an interview. The data collection instrument will be an interview guide a copy of which is attached in Appendix I. Four respondents will be interviewed. These will be the managing Director and the three Departmental Directors (valuation, management and letting and sales departments). The reason for choosing this methodology will be that it does not restrict respondents on answers and has potential of generating more information with much

detail. The qualitative method is used to uncover and understand what lies behind a phenomenon under study.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Environmental changes

External pressures resulting from public opinion, regulations, the green movement and financial enterprises, and internal drivers related to a change in employees' awareness, have led companies to consider the environment in strategic management (Muturi, 2003). Academics and practitioners have attempted to improve understanding of firms' environmental strategies by characterizing their environmental actions. The major interest of the past studies was how to describe and predict a trend and change in corporate environmental management and strategy.

Environment has been characterized as complex, dynamic, multi-facet and having far reaching impact (Kazmi 2002). As a result, of these characteristics, the environment is composed of various factors, events, conditions and influence which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character. A fundamental change is occurring in the world economy whereby the world economies are witnessing the forces of globalization and liberalization of trade. The phenomenon of globalization, according to Muturi (2003) refers to "the fact that people around the world are becoming more and more knowledgeable about each other," this is expected to increasingly affect the real estate sector.

The emergence of environmental influences and their effect on firm strategy has gained tremendous traction in the management literature in recent years (Pearce and Robinson, 2005, Johnson and Scholes, 2002). Fuelled by societal concerns over global warming, globalization, poverty, ecosystem destruction, and social degradation, environmental pressures have gained substantial attention in strategic management classrooms, corporate boardrooms and academic journals (Pearce and Robinson, 2005; Kazmi, 2002).

While these concerns are global in nature, they manifest themselves differently based on firm context. Environmental concerns are now quite prevalent in developed countries while disease and poverty have remained prominent in developing nations. All in all, most business environments represent substantial environmental forces that impact the development and implementation of strategy. Yet the nature of firm strategic response to these influences is presently understudied. Moreover, the process by which firms incorporate environmental forces and strategies into market strategies has not yet been examined. Real estate companies are facing an intricate jigsaw of challenges and opportunities. Demand for investment management services is set to soar as consumers seek efficient ways to fund longer retirements. Further openings are coming from the increasing affluence and sophistication of customers in emerging markets such as China and India. However, companies need to contend with increasing competition and ever more exacting customer demands against a background of mounting regulation and continuing financial market volatility. Although Kenyan direct real estate investment looks set to outperform most other assets in the near term, the immediate outlook may be tempered by a range of economic concerns including the impact of consumer debt and rising interest rates. Large sectors of the market are also facing surplus capital and a potential lack of investment stock (AAK report).

1.1.2 Strategic responses

Strategy refers to the machinery of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes 2002). According to Muturi 2003, it is through Strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. He further argues that this can be done by firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness, and secondly, use of real time response through issue management and thirdly, Systematic management of resistance during strategic implementation.

Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Strategy answers the fundamental questions of 'where do we want to go? ; Where are we now? and how do we get there?' Three areas of a company strategy are important in identifying the responses of a firm to its environmental challenges. These include objective setting, the vision and mission of the company, strategic, competitive strategy where after considerations of the firm's competitive strengths and weaknesses vis-à-vis competition and customer needs, the company establishes a position of competitive advantage (Muturi 2000).

Competitive environments are changing at an accelerating rate, culminating in a high level of uncertainty. This growing uncertainty is the result of higher customer expectations, the dilution of borders between competitive environments and the move towards global competition. As the level of dynamics in business environments increases, the development of strategies that will differentiate the organization from its competitors becomes the key success factor. In this respect, the study of parameters affecting the process of strategy development has become the main focus of industrialists and researchers.

The 2000s saw the beginning of rapid privatization of government enterprises in the Kenya, allowing for greater competition. There has been an increasing rise in the number of private and commercial developers and housing associations. Further to this, many public bodies like the NHC, NSSF, Prison Services, embassies and schools are increasingly acquiring trust status, as a result of which they are now becoming self-governing, with very little central control. Their new developments are designed along private-sector lines. For such bodies, emphasis is placed on speed, value-based services and cost-time-quality performance for a particular project and there are clear signs that these clients are becoming increasingly involved in building processes; relationships with contractors appear to be moving towards more of partnering and other forms of strategic alliance (Langford and Fellows, 2003).

1.1.3 Lloyd Masika Limited

John Lloyd and David Masika established Lloyd Masika Limited in 1979 at Norfolk Towers, Kijabe Street, Nairobi. In its initial years, its core business was valuation. As the company grew, it diversified into estate management and estate agency, both commercial and residential. Today Lloyd Masika is one of the leading valuation and property management companies in Kenya. The company has 5 directors and one consultant, all Kenyans, are dedicated work force and a large clientele which include large industrial and manufacturing firms, banks, insurance companies, agro based companies, parastatals, embassies and also hotels.

Lloyd Masika Limited is a leading Registered Valuation firm, providing professional valuation and estate agent services in Kenya. It has been established since 1979 and is structured in three main departments, which are complimentary in the provision of services. The departments are valuation, management department and letting and sales departments (Residential, Commercial and Others).Each of these departments is managed by a team of highly experienced personnel and backed by several other skilled staff.

Their mission is to provide quality services to its customers whilst embracing professional standards and ethics. Their corporate vision is to be the market leader and the preferred provider of real estate, valuation and property management services in Kenya. The firm has a total workforce of sixty eight (68) employees, including five directors, based at the head office. In addition, there is twenty five (25) property staff, based within the properties under the firm's management. All the directors are professional valuers, registered with the Valuers Registration Board and Members of the Institution of Surveyors of Kenya.

1.2 Statement of the Problem

The alignment between strategy and environment lies at the centre of strategic management. Correct alignment helps a firm maximize the economic benefits from resources, improve the effectiveness of operations, and boost the fulfilment of its strategic goals (Abdullahi, 2000). One of the main challenges in the real estate business is that some real estate companies do not align strategy with the environment. Lloyd Masika is faced with fierce competition from companies like Knight Frank who have entered the real estate business armed with technology. The competitors are also advertising their products where the potential buyers can view detailed listings online using websites to gather leads on potential customers, and using the Internet to match buyers and sellers. The company has also been faced with changing customer needs, political/legal hurdles and the effects of globalisation.

A large number of studies have already demonstrated the importance of this alignment, both theoretically and empirically, and suggested that the strategy-environment fit has strong performance implications (Miller and Friesen, 1983). When the environment is uncertain and complex, the importance of this fit is magnified (Wernerfelt and Karnani, 1987).

Previous researches on strategic responses by Kenyan companies have been undertaken in this area. For instance, Kombo, (1997) studied strategic responses by firms facing changed environmental conditions but focused on motor vehicle franchise holders in Kenya. Abdullahi, (2000) carried a research on strategic responses adopted by Kenyan Insurance companies and found that most companies do not have a clear cut strategic approach. Muturi, (2000) studied strategic responses by firms facing changed competitive conditions and focussed on E.A.B. LTD. Recently, Muturi, (2003) undertook a study on strategic responses by Christian churches in Kenya to changes in the external environment with a case of evangelical churches in Nairobi.

The above studies have focussed on various industries and sectors in the Kenyan economy but none of the studies have addressed the real estate sector. It is in this light that the researcher seeks to fill the existing gap in this area of study by answering the question: what strategic responses have been employed by players in the real estate sector towards the changes in the operating environment?

1.3 Objectives of the Study

The study was guided by the following objectives:

i. To determine the environmental changes facing Lloyd Masika Limited.

ii. To identify the responses adapted by Lloyd Masika limited to these changes.

1.4 Research Questions

The study sought to answer the following research questions:

i. What are the environmental changes that face Lloyd Masika Limited?

ii. What strategies has Lloyd Masika Limited adapted to deal with the changes in its environment?

1.5 Importance of the Study

The study will aid various stakeholders, who will obtain details on challenges facing the sector and the details of responses to the challenges. These stakeholders include the shareholders, other researchers, the management of Lloyd Masika and other real estate companies In addition the study will provide a justification to the responses adopted depending on the success obtained.

The policy makers will obtain knowledge of the real estate sector dynamics and the responses that are appropriate; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector participation.

CHAPTER TWO: LITERATURE REVIEW

2.1 Environment and Strategy

The importance of scanning the environment for information to be used in the strategic planning process has been discussed in the strategic management literature (Ansoff, 1980). Many scholars, academics, practitioners, and management theorists have generally adopted the open systems perspective of organizations and reconceptualised the relationship between the organization and the external environment, agreeing on the central importance of the external environment for management (Bourgeois, 1980). There is some empirical evidence that the environment moderates broad business strategies and that the effectiveness of a firm's marketing orientation is moderated by the competitive environment (Abdullahi, 2000).

According to Johnson and Scholes (2002), dealing with the environment is difficult because of three factors. First is the diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may not be of much use because no overall picture emerges of the really important influences on the organization. The second difficulty is the speed of change. Managers typically feel that the pace of technological change and the speed of global communications mean more and faster changes than ever before. Third is the problem of complexity. Managers are no different from other individuals in the way they cope with complexities; they try to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It is important to avoid these tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

The business environment is comprised of a set of relationships between agents or stakeholders in the environment – relationships that are changed by individual decisions taken (Wheatley, 1996). These interactions continuously "co-create" the environment. The business environment is changing faster than ever before (Hamel and Prahalad, 1994; Kotler, 1996; Glass, 1996; Conner, 1998), with such change occurring in two major dimensions, complexity and turbulence (Robbins, 1990).

2.2 The organizational environment and uncertainty

One of the primary functions of effective management is to organize and use the available resources in ways which minimize the impact of environmental threats and pressures on the organization (Steers, 1977). Organizations must adapt to their environments if they are to remain viable. Smart and Vertinsky (1984), for example, maintain that to maximize long-term effectiveness, organizations need to develop the capability not only to cope with daily events in the environment, but also to cope with external events that are both unexpected and of critical importance (crises). For many organizations crises are unique and rare events. However, in many industries crises may be a regular feature of corporate life. Consequently, a central issue in the process of organizational adaptation is not only coping with uncertainty, but understanding situations where uncertainty can degenerate into a crisis.

In order to define the concepts of environmental uncertainty and the dimensions of the environment, Kombo (1997) emphasizes the perception of organizational members. Differences in individual perceptions and tolerance of ambiguity or uncertainty must be taken into account in developing these concepts. An organization's environment consists of the totality of physical and social factors which are taken directly into consideration in the decision-making behaviour of individuals in the organization. The external environment consists of those relevant physical and social factors from outside the boundaries of the organization or specific decision-making unit that are taken into consideration (Kombo 1997). Abdullahi (2000) concur by stating that organizations both respond to and operate on the contexts in which they are embedded. The environmental context, in turn, renders experiences for learning. Additionally, through the processes of selection, the context limits the strategy space of an organization as it responds to crisis situations (Smart and Vertinsky, 1984).

Although the external environments of organizations have been conceptualized in various ways (see, for example, Pfeiffer and Salancik, 1978), several important dimensions have been underscored. Three major dimensions are of concern for this study: stability, turbulence and complexity.

2.3 Environmental stability

Emery and Trist (1965) were early researchers of one crucial dimension: the degree of environmental stability. They suggested that the concept of turbulence and its opposite, placidity, are key factors. Turbulence is a measure of change as it occurs in the factors or components of an organization's environment. At one end of a continuum of change there is a static environmental state (placidity or no change); at the other end there is a turbulent or dynamic state where all factors are in constant flux (Bourgeois, 1985; Bourgeois and Eisenhardt, 1988; Smart and Vertinsky, 1984). The amount of environmental turbulence is closely related to the degree of uncertainty facing an organization.

The rate of change, in addition to the absolute amount of turbulence, is a critical factor. Jurkovich (1974) suggests that the rate of change can be defined by measuring the amount of alteration to major goals in a given period. Jurkovich proposes that the higher the change rate in the environment, the higher the number of major organizational goals that must be altered and vice versa. Please note that in several studies (e.g., Bourgeois, 1980, 1985; Bourgeois and Eisenhardt, 1988) the terms discontinuity, dynamism and volatility have been used interchangeably to refer to the rate (or degree) of environmental change. The ability to time organizational changes to keep pace with environmental change rates is an important indicator of an organization's coping abilities. Moreover, the rate of change has been shown to account for more variance in perceived uncertainty than any other attribute at the business level of strategy making (see Bourgeois, 1980, 1985; Duncan, 1972).

2.4 Environment Complexity and Turbulence

Complexity is defined as the measure of heterogeneity or diversity in environmental, sub-factors such as customers, suppliers, socio-politics and technology (Chakravarthy, 1997). As complexity increases, the ability to understand and use information to plan and predict becomes more difficult (Black and Farias, 1997). As all systems increase in complexity over time (Farrell, 1998), the increasing complexity leads to more change (Conner, 1998). As the system becomes more complex, making sense of it becomes more difficult (Black and Farias, 1997) and adaptation to the changing environment becomes more problematic (Lane and Maxfield, 1996; Merry, 1995).

Turbulence is defined as dynamism in the environment, involving rapid, unexpected change in the environmental sub-dimensions (Conner, 1998). A stable environment changes little, but when it does, the change is predictable. In turbulent environments, there are many unexpected changes. Turbulence is the natural state of the world (Mintzberg, 1994). It is caused by changes in, and interaction between, the various environmental factors especially because of advances in technology and the confluence of computer, telecommunications and media industries (Iansiti, 1995). The result of this growth in environmental turbulence has been the reduction of orderly competition, an increasing need for information, innovation and quicker cycles of development, and more difficulty in predicting customer, product and service requirements. Thus, decision windows are shorter, risk of obsolescence is greater, long-term control becomes impossible and managers have to learn new ways to operate in turbulent environments (Davis et al., 1991). The net result of these changes is an environment that Lynch (1995, p. 46) refers to as "chaotic, fragmented and unpredictable and complex and turbulent". Although this seems negative, Muturi (2003) has shown that destabilisation in the environment leads to heterogeneity in the business environment, thereby avoiding "me too" strategies and encouraging differentiation (Muturi, 2003).

Since complex and turbulent environments can be desirable, but since many businesses are uncertain about how to cope with such situations, it makes sense to identify ways to handle such environments. Many believe that identifying a causative link between environmental variables and management action is not possible because of the complexity of variables and the chaotic nature of environments. However, recent research has stressed the inter-relationship between an organization and its environment. Firms co-exist and co-evolve with their environments and therefore are able to influence the environment to a greater extent than previously thought. Organisations shape their environments by influencing their industries or collaborating with each other, thereby gaining some control over some part of their environments. The environment is thus not completely determined by external forces, but can also be influenced by the firm (Abdullahi, 2000).

2.5 Strategic Responses

Ansoff (1980) asserts that when a firm fails to respond to a threat, the losses that results continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point. The start of response is delayed past the rational trigger point due to four factors; systems delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990).

Systems delay typically occurs in large firms due, in part, to the time consumed in observing, interpreting, collating and transmitting information to responsible managers. In another part, it due to the time consumed by these managers in communicating with one another and establishing a common understanding as well as the time necessary for processing the decisions among the responsible groups and decision levels. A verification delay may be invoked because some managers will argue that, even though the level of impact has reached unacceptable proportions, there is never an ironclad assurance that the threat is real and that the impact is permanent. They will opt for waiting a little longer to see if the threat will 'blow itself out' (Muturi, 2003).

A political delay may occur if certain managers, whose domain contributes to the crisis, feel that the recognition of a crisis will reflect on their reputation and/or will cause them to lose power. Even if they are convinced that the threat is real, they will want to fight a delaying action to avoid becoming scapegoats, to gain breathing space to develop a line of defence, or to line up a line of retreat. Unfamiliarity rejection delay would contribute to other three if, as is typical in the Western managerial culture, the managers are trained to trust prior and familiar experiences and reject unfamiliar ones as improbable and invalid (Kombo, 1997).

These delays will substantially increase the total cost to the firm. Such response is referred to as reactive management. The organization will incur two types of costs as a result of delayed response to discontinuous changes. These are the cumulative loss of profit and the cost incurred in arresting or reversing the loss. Management problem is to minimize the total losses (Ansoff and McDonnell, 1990).

To survive in a dynamic and highly competitive business environment, different organizations have had to engage various strategies to survive. One such strategy is the corporate turnaround strategy. A turnaround situation is one of pointing out to a new direction. It is a complete change in strategic direction of a firm after it has faced a corporate distress. Such a situation can easily lead to collapse of a company unless a plan of corporate survival and renewal is devised and successfully executed. The starting point is identification of the root cause or causes of the crisis. Turnaround strategies are used when a business worth resuming goes into corporate crisis (Pearce and Robinson 1997).

Abdullahi (2000) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition.

Muturi (2003) also adds that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. He says that to adapt to environmental changes, firms require effective leadership. He furthers states that, while leadership is crucial, most organizations are over-managed and others under-led.

Johnson and Scoles (2002), view strategy as the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a changing environment and fulfil stakeholders expectations. Muturi (2003) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength.

Porter (1985) observes that for firms to be able to retain competitive advantage, they need to examine their environment both internal and external and respond accordingly. Ansoff and McDonnell (1990) also point out that the success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence. This is because each level of environmental turbulence has different characteristics, requires different strategies and requires different firm capabilities. Therefore, each level of environmental turbulence requires a matching strategy and the strategy has to be matched by appropriate organizational capability for survival, growth and development. Being ahead of the game requires that firms employ competitive strategies that is sustainable and assures them of their market position. A firm without superior strategy is like a bride man leading the way, and actually existence of strategy is not a guarantee for success. Institutionalizing those strategies, allocation of adequate resources, visionary leadership and good corporate culture, amongst others are necessary ingredients for successful business success strategies.

To be successful overtime, an organization must be in tune with its external environment. There must be a strategic fit between the environment wants and what the firm has to offer, as well as between what the firm need and what the environment can provide (Wheelen and Hunger, 1995). The speed or response time to the environment challenges has been identified (Pearse and Robinson, 2005) as a major source of competitive advantage for numerous firms in today's intensely competitive global economy. It's thus imperative to quickly adjust and formulate strategies so as not to be overtaken by events.

According to Porter (1980) strategy is about competition and the means by which an organization tries to gain a competitive advantage. He has described a category scheme consisting of three general types of strategies that are commonly used by businesses. The three generic strategies are as follows: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market to be targeted. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. In addition, he identified two competencies that he felt were most important: product differentiation and product cost (efficiency). Porter simplifies the scheme to the three best strategies: cost leadership, differentiation, and market segmentation (or focus). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope.

The four possible corporate strategies are; market penetration, product development, market development and diversification as strategies that managers could consider as ways to grow the business via existing and/or new products, in existing and/or new markets. However, he points out that a diversification strategy stands apart from the other three strategies. The first three strategies are usually pursued with the same technical, financial, and merchandising resources used for the original product line, whereas diversification usually requires a company to acquire new skills, new techniques and new facilities.

Therefore, diversification is meant to be the riskiest of the four strategies to pursue for a firm. According to him, diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit (Ansoff 1980).

The company's corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is a very important link between corporate-level and business level. According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization. At a general strategic level Ansoff and Mc Donnell (1990), suggests three reasons why firms diversify. The objectives can not be achieved by continuing to operate in their existing market.

According to Hill and Jones (1999), argue that focus strategy concentrates on serving particular market niche, which can be defined geographically, type of customer or by segment of the product line. It differs from the first two because it is directed towards serving the needs of a limited customer group or a segment. Hence the company is specialized in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovate product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger. It differs from corporate strategy in that whereas corporate strategy involves decisions about the entire organization, strategic decision under the business units are basically concerned with how customers' or clients' needs can best be met. According to Johnson and Scholes (2002), "Business unit strategy is about how to compete successfully in particular markets".

According to Johnson and Scholes (2002), operational strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. Even though strategies may be focused on a given function, as often as not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study was a case study seeking to achieve the objectives of the study, which were to establish the strategic response to external environment of Lloyd Masika Limited. The importance of a case study was emphasized by Young (1960) who acknowledged that a case study was a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. It's a method that drills down, rather than cast wide. The interview guide was used which entailed the various aspects of the study, which included political/legal, competition, technological changes, customer influences and globalisation.

3.2 Data collection

The study mainly used primary data which was collected through an interview. The data collection instrument was an interview guide a copy of which is attached in Appendix I. Four respondents were interviewed. These were the managing Director and the three Departmental Directors (valuation, management and letting and sales departments).

For secondary data, the researcher used the firm's annual report, management circulars and other reports from the corporation.

3.3 Data analysis

Since the primary data collected was qualitative, content analysis was used to analyze it. This was a systematic qualitative description of the composition of objects or material of study. It involved observation and detailed description of objects, items or things that comprise the study (Mugenda and Mugenda 2003).

The reason for choosing this methodology was that it did not restrict respondents on answers and had the potential of generating more information with much detail. The qualitative method was used to uncover and understand what lies behind a phenomenon under study.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the research. From the study population target of 4 respondents, all the 4 respondents responded and returned the questionnaire, constituting 100% response rate.

4.2

The study sought to find out whether there were major changes in the operating environment; from the finding of the study it was found from the entire respondent that there had been major changes within the operating environment for the last five years.

The study also found that the changes which had major impact in their operation were; globalisation changes, technological changes, political/legal changes and competition from rival companies.

The study also revealed from the majority of respondents that there had been changes in the political /legal landscape that affected their operation. These political/legal changes affected their operation in that they forced the business to operate at higher cost due to inflation and new laws that guided the business.

The study also sought to know what changes had taken place in the organisation due to competition, it was found from the study that there were major restructuring within the organisation so as to overcome the effect of competition, further the company adopted new system of operation so as to have a better competitive advantage over its rivals, also the company had a higher capitalization level, which the respondents said it enabled the company to accept more business. Stability as the company accepts more business was a key concern and that level of capitalization cushioned the firm against any eventualities, the introduction of attachment programmes for the staff of other organisations and offering of scholarship to those seeking further degrees was also strategy adopted.

The researcher also wanted to know from the respondents whether there had been technological changes that affected their operations. From the study, most respondents claimed that there were changes in technology that affected their operations. From the study, the areas of operations and management which technology had affected, were the finance operation, customer care and the IT operations

The study also wanted to how the customers affected the operations of the company; from the study it was found that customers greatly affected the operations of the company through requiring competitive service that could meet their needs. The areas of operation and management that had been influenced by customers were service delivery and customer care.

The researcher also wanted to know how globalisation had influenced the operation of the company, from the study it was found that due to globalisation the company operated at high cost due to the rising inflation in the global world. There was therefore the need of the company to minimize the cost.

4.3 Strategic responses

On the question whether there had been made any arrangements to mitigate the consequences of changes, the study found from the entire respondent that there were arrangements to mitigate the consequences of changes. The strategies adopted to respond to these changes were; offering scholarship facilities to staff so as to remain competitive, high capitalization level, quality services to customers and good customer care department

In order to respond to legal/ political changes, the study sought to find out the strategies have been put in place to achieve the appropriate changes; from the finding of the study it was found that, adoption of the new laws in the business was the strategies put in place to achieve the appropriate changes.

In order t o respond to technological changes, the strategies that had been put in place to achieve the appropriate changes were, training of staff so as to be able to adapt to the rapid changing technology and also computerizing of all departments were the strategies put in place in order to achieve the appropriate changes.

The study also found that the strategies that had been put in place to respond to customer influences adopting good customer relations, quality services and efficient services were in order to respond customer influences.

The researcher also wanted to know what strategies have been put in place to respond to globalisation effects, the study found that the company tried to cut down its operation cost in order to reduce the effects of globalisation.

The researcher also sought to find out on whether there had been any improvement in performance owing to the adoption of the strategic responses, from the study all the respondent felt that there was improvement in performance owing to adoption of strategic response,

The researcher also wanted the respondent to give their opinion on whether the various response strategies adopted by the company were proactive or reactive to changes in the corporation's external environment, it was found from the study that various response strategies adopted by the company they were reactive to changes.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

From the analysis and data collected, the following discussions, conclusions and recommendations were made. The responses were based on the objectives of the study. The researcher intended to obtain responses on various responsive strategies adapted by Lloyd Masika Limited to the changing environment.

5.2 Discussion

The study found that from the majority that there had been major changes within the operating environment for the last five years, it was further found from the study that the changes which had major impact in their operation were; globalisation changes, technological changes, political/legal changes and competition from rival companies.
The study also found from the majority that changes in political and/legal landscape that affected their operation and these forced the business to operate at higher cost due to inflation and new laws that guided the business. It was found by the study that strategies adopted by the company in response to competition were; major restructuring within the organisation, adoption new system of operation, a higher capitalization level, which the respondents said would enable the company to accept more business, the introduction of attachment programmes for the staff of other organisations and offering of scholarship to those seeking further degrees and was also strategy adopted and.management training for the staff.

The study also found that the majority of the respondents claimed that there were changes in technology that affected their operations; it was further revealed by the study that the finance operation, customer care and the IT operations were the areas of operations and management which technology had affected, from the study customers affected the operations of the company through requiring competitive service that could meet their needs. It was however established from the study that customer influenced service delivery and customer care areas of operation. The study also found that due to globalisation the company operated at high cost due to the rising inflation in the global world and there was therefore the need of the company to minimize the cost.

The study also revealed from all the respondent that there were arrangements to mitigate the consequences of changes, it was further established from the study that there were strategies adopted by the company to respond to changes, these were; offering scholarship facilities to staff so as to remain competitive, high capitalization level ,quality services to customers and good customer care department ,it was also found by the study that, in order to respond to legal/ political changes, adoption of the new laws in the business was the strategies put in place to achieve the appropriate changes.

The study further established that in order to respond to technological changes, the company trained its staff on the new technology and computerized of all its departments in order to achieve the appropriate changes in technology. The study also found that strategies have been put in place to respond to customer influences were; good customer relations, quality services and efficient services, it was further revealed that the company tried to cut down its operation cost in order to reduce the effects of globalisation. The study also established from that there had been an improvement in performance owing to the adoption of the strategic responses,

The study further revealed that the majority of the respondent thought that various response strategies adopted by the company were reactive to changes in the corporation's external environment

5.3 Conclusion

From the study the researcher concludes that, there have been major changes within the operating environment for the last five years, these change were; globalisation changes, technological changes, political/legal changes and competition from rival companies are the changes which have major impact on the operation of the company.

The study also concluded that in order to deal with these changes, the organization employed various strategies which were; operating at higher cost due to inflation and new laws that guides the business to deal with political and/legal landscape, that there were major restructuring within the organisation, adoption of new system of operation, a higher capitalization level, the introduction of attachment programmes for the staff of other organisations and offering of scholarship to those seeking further degrees in order respond to competition.

The study further concludes that in order to respond to technological changes, the company must train its staff on the new technology and computerizes all its departments in order to achieve the appropriate changes in technology and the strategies had been put in place to respond to customer influences were good customer relations, quality services and efficient services. It was further concluded that the company tries to cut down its operation cost in order to reduce the effects of globalisation.

5.4 Recommendations

From the findings and the conclusions, the study recommended that the all the organizations should embrace various strategies in order to counter various changes in the external environment which are brought up by political/legal, technological changes, competition, customer relations and global effects.

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APPENDICES

Appendix 1: Interview Guide

SECTION A: IDENTIFICATION OF CHANGES

1. Have you faced major changes in the operating environment in the last five years?
2. What are the changes that have had major impact on your operations from the environment
3. Have there been any changes in political/legal landscape that have affected your operations?
4. How has the changes in political/legal landscape affected your operations?
5. What changes have taken place in your organisation due to competition?
6. Have there been any technological changes that have affected your operations?
7. Which are the areas in the operations and management which technology has affected?
8. How have customers affected the operations of your company?
9. Which are the areas in the operations and management which have been influenced by customers?
10. How has globalisation influenced the operations of your company?
11. Which are the areas in the operations and management which have been influenced by customers?

SECTION B: STRATEGIC RESPONSES

12. Have you made any arrangements to mitigate the consequences of these changes?

13. What are the strategies that were adopted to respond to the changes? Briefly explain

14. To respond to legal/ political changes, what strategies have been put in place to achieve the appropriate changes?

15. To respond to competition, what strategies have been put in place to counter the competition?

16. To respond to technological changes, what strategies have been put in place to achieve the appropriate changes?

17. To respond to customer influences, what strategies have been put in place to deal with the influences?

18. To respond to globalisation effects, what strategies have been put in place to deal with the effects?

19. Has there been any improvement in performance owing to the adoption of the strategic responses?

20. Do you consider the various response strategies adopted by Lloyd Masika to be proactive or reactive to the changes in the corporation's external environment?