CORPORATE STRATEGY DEVELOPMENT AT

NAKUMATT HOLDINGS LTD

BY:

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This management research project is my original work and has not been presented for a degree in any other university.

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(D61/P/8349/04)

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

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To my wife, Lillian; and sons, Brian and Raphael for their love, patience and care.

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LIST OF ABBREVIATIONS

CEO	-	Chief Executive Officer
IPO	-	Initial Public Offer
ISO	-	International Standards Organization
IT	-	Information Technology
JKUAT	-	Jomo Kenyatta University of Agriculture and Technology
NHL	-	Nakumatt Holdings Limited
PEST	-	Political, Economical, Social and Technological
UK	-	United Kingdom
USA	-	United States of America
SWOT	-	Strength, Weakness, Opportunities, and Threat

ABSTRACT

Corporate strategy is primarily about the choice of direction for an organization as a whole and the management of businesses or product portfolio for maximum value (Wheelen and Hunger. 2008). Corporate executives are therefore concerned with the orientation towards growth, coordination of cash flow among business units and building of corporate synergies through resource sharing and development. Thus, the study sought to understand the process of corporate strategy development and its challenges at NHL. The rationale of the study arose out of the realization of the Nakumatt's tremendous growth and diversification over the last five years. The challenge of managing a diversified company with arrays of businesses lies in the development and management of well crafted corporate strategies.

The objective of this research project was to establish the corporate strategy development processes and challenges faced by Nakumatt Holdings Ltd. An interview guide was used to facilitate personal and in-depth interviews of the Managing Director. Operations Director, IT director and all the departmental heads as well as Branch Managers at NHL.

This was a case study of Nakumatt Holdings Ltd. An in-depth and comprehensive inquiry was conducted on the corporate strategy development processes and its challenges at NHL. Primary data was collected using an interview guide and posing of mostly open-ended questions. The questions were administered through personal interviews of the respondents. This was a qualitative study in which data was analyzed using content analysis.

The research findings established that corporate strategy development at Nakumatt Holdings limited is both planned and emergent. Planned process of strategy development exists because there is evidence of strategic planning activities at Nakumatt Holdings. The presence of vision and mission statements indicates the strategic direction and path of Nakumatt. Some strategies are considered to emergent because Nakumatt strategy formulation is continuous and response to emerging environmental challenges is called for. Poor infrastructure has been a major challenge to NHL in the development of her corporate strategies. The study suggests that further studies can be carried out on the entire industry or all the major supermarkets. other aspects of strategic management: strategy implementation and control and finally, a post IPO period when NHL is expected to be public company.

CHAPTER ONE: INTRODUCTION

1.1 Background

Business firms operate as open systems and are affected by external conditions that are largely beyond their control (Pearce and Robinson, 2007). Therefore, successful companies are those that focus their efforts strategically beyond their operations. Firms' corporate executives must consider what relevant others e.g. competitors, customers, suppliers, creditors, government and labour are likely to do. Strickland (2007) observes that managers have ever-present responsibility for detecting when new developments require strategic realignment and when they do not. It's their duty to tract progress, spot problem early and monitor and evaluate the winds of market and customer change to initiate adjustments.

Johnson and Scholes (2005) have also noted that the environment encapsulates many diverse influences and the difficulty is making sense of this diversity. They further observe that the ever changing technology and fast pace speed of global village actualization means more and faster change now than ever before. A firm as an open system must interact with the environment to survive. A firm requires resources to transform them into outputs, and then export them to the environment. The organization has to find and obtain resources, interpret and act on the environmental changes, dispose of outputs, control and co-ordinate internal activities in the face of environmental disturbances and uncertainty if it is to be effective.

The environment is rapidly changing and in order to survive in dynamic environment, organizations' corporate strategies need to focus on their customers and deal with emerging environmental challenges in managing their portfolios' of investments. This is necessary because they are environment serving (Ansoff and McDonnell. 1990). When firms are faced with unfamiliar changes they should revise their strategies (including corporate strategies) to match the turbulence level (Ansoff and McDonnell. 1990). The organizations external environment consists of all the conditions and forces that affect its strategic options and defines its competitive situation (Pearce and Robinson. 2007).

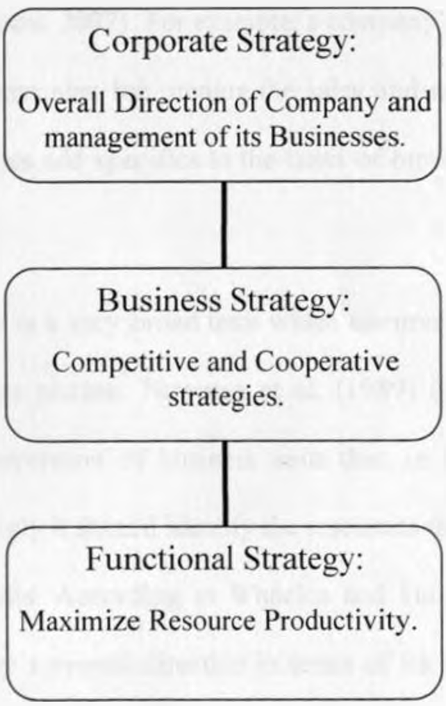
Johnson and Scholes (2005) highlights strategy as the direction and scope of an organization over the long- term. which achieves advantage for the organization by the configuration of resources within a turbulent environment to achieve the objective of meeting the needs of markets and to fulfill stakeholders expectations. Therefore the corporate strategy development is not only affected by environmental forces and resources, but also, by values and expectations of those who have power and influence in and around the organization. Whether strategy is the result of rationality, personal considerations. the culture. structure of the organization, what is generally accepted is that for organizations to succeed they must have a strategy.

1.1.1 Concept of Corporate Strategy

Strategy is the way in which a company orients itself towards the market in which it operates and towards the other companies in the marketplace against which it competes. It is a plan an organization formulates to gain a sustainable advantage over the competition. Strategy in an organization is viewed from three levels: corporate. business and functional. The characteristics of strategic management vary with the level of strategic activity considered (Pearce and Robinson. 2007). The threefold distinction of strategy is clearly discernible in large companies that are in several businesses (Aosa. 1992).Wheelen and Hunger (2008) also asserts that the three levels of strategy in any typical business firm as show in figure 1;

At corporate level is the CEO, Board of directors and top corporate executives. The concern is setting long term objectives and formulation of strategies that span the entire organisation. Grant (2002) defines corporate strategy decisions of the firm in terms of the industries and markets in which it competes. At this level corporate decisions include investments in diversification, vertical integration, acquisitions and new ventures, the allocation of resources between different businesses of the firm. Pearce and Robinson (2007) further observes that the corporate executives are responsible for the financial performance of the organization as a whole and for achieving non-financial goals of the firm like corporate image and social responsibility

Figure 1- Hierarchy of strategy



Source: Strategic Management and Business Policy (2008) by Wheelen and Hunger 11th Edition pp 16

The business level category of strategic management. the general managers of the business units are supposed to translate statement of direction and intent generated at corporate level in concrete objectives and strategies for their units (Pearce and Robinson. 2007). At this level. business strategy is concerned with how the business unit competes within a particular industry or market. Thompson et al (2007) notes that at business level. the key focus is to craft responses to changing market circumstances and initiating actions to strength market position. build competitive advantage. and develop strong competitive capabilities. It is also referred to as competitive strategy (Grant. 2002 and Porter. 1987).

At the functional level. it is the operations level where manager in charge of different departments within the business units develop annual objectives and short-term strategies. Functional level decisions addresses efficiency and incur modern costs (Pearce and Robinson. 2007). For example. a company's marketing strategy should be the managerial game plan for running the sales and marketing part of the business. Functional strategies add specifics to the hows of business-level strategy (Thompson et al. 2007).

Corporate strategy is a very broad term which commonly describes any thinking that looks at the bigger picture. Newman et al. (1989) defines it as that focus on the selection and interrelation of business units that. in fact. yield the benefits of the synergy. Accordingly it should identify the resources that the organization will supply to its business units. According to Wheelen and Hunger (2008) corporate strategy describes company's overall direction in terms of its general attitude toward growth and the management of its various businesses and product lines. Thompson et al (2007) upholds that corporate strategy is the companywide game plan for managing a set of business units which is orchestrated by the CEO and other senior executives.

Michael Porter (1987) shares the same argument, that, it is the overall plan for diversified company. Corporate strategy concerns are: firstly, what businesses the firm should be in and secondly, how the corporate should manage the array of business units. Corporate strategies typically fit within the three main categories of stability, growth and retrenchment (Wheelen and Hunger, 2008).

Various theories have been advanced on corporate strategy development. However, there are two prominent schools of thought in this regard; the planning and design school and the emergent corporate strategy school (Johnson and Scholes, 2005). The planning and design school holds that the corporate organizational strategy is as a result of deliberate planning and design by corporate executives. They deliberately attempt analyse the context of the business environment and the organization as a whole. Political, social, and technological environment in which the business operates are analysed to establish business opportunities and threats that exist. The organization then needs to take advantage of the business opportunities and prepare mitigating corporate strategy against the threats. At the same time, corporate executives do internal evaluation of the business to determine its strengths and weaknesses. The strengths constitute the organizational internal capabilities like capital reserves, personnel, borrowing capacity, and other soft assets like communication and the wealth of knowledge by the corporate executives. As a result of the foregoing analysis, a corporate strategy is formulated that takes into account the environmental analysis Vis-a- viz the organizational capabilities for realization of the firms' objectives.

The emergent school of corporate strategy development holds that, it is, as a result of continuing organizational decisions that take a form or pattern over long time. Johnson and Scholes (2005) refer to it as the experience lens in strategy development.

The school contends that corporate strategy is not the result of deliberate plan but rather than emergence of consistent and coherent patterns of decisions and actions by corporate executives in the organizations.

1.1.2 Retail Sector Overview

Retail sector in Kenya and more specifically supermarkets in Nairobi can be traced back to 1975 when Uchumi supermarkets started. It operated as monopoly then; with ready markets and little or no competition at all. Since then, other players have come on board: mainly Nakumatt (The leading in the sector), Tuskys, Ukwala, Naivas, Woolmatt, and Chandarana. They are mainly concentrated in major towns and in the Nairobi Central Business District. The above predominant chain of supermarkets account to over 80% of the market share (Weatherspoon et al.2003).The other small supermarkets like Safeways, Rikanas are mainly serving niche markets of various estates within the City of Nairobi.

Research by Neven and Reardon (2005), shown that supermarkets growth to have been 17.5% per year between 1990 to 2003.They further observed that urban population grew at a rate of 4.7% and it's expected to surpass the rural population by 2013. Nairobi's urban population is now over 4million (Business Daily, August 2008).This enormous urban population growth exerts pressure on supermarkets service delivery to the increased consumer demands for services and goods. According to Neven et al (2005) the supermarket growth in Kenya has given rise to new class of farmers like the Fresh 'n' Juicy...Supplier of fruits and vegetables to Nakumatt. The supermarket growth in Kenya has increased the competition in the retail sector. Uchumi supermarkets fall victim to her own expansion strategy in 2006 when it was placed under receiver manager. Hence need for a well thought corporate strategy to mitigate the turbulent environmental challenges.

Supermarkets play a key role in the economic development in Kenya. They offer ready market for the fresh fruits and vegetables for millions of farmers in Kenya (Kamau, 2006). They already buy more than three times the volume that is bought by export market, (Okado, 2001).The leading chains of supermarkets (Nakumatt, Tuskys, Uchumi, and Ukwala) have employed more than 7000 Kenyans. As a result, they play a key role in enhancing and improving the living conditions of many families as well as providing revenue to the government through taxes. They also provide ready market for the manufacturing firms in the country (Neven and Reardon, 2005). In the last ten years or so, there has been an upsurge in the number of supermarkets, especially in Nairobi and other leading towns in Kenya. This is as a result of the ever growing urban population, which in turn exerts pressure on the need to offer goods and services. Some of the leading supermarkets (Nakumatt, Uchumi, and Tuskys) have even spread across the border to open stores in Rwanda and Uganda. They have also diversified into related and unrelated business units. For example Nakumatt through Image Motors Limited, is selling Motor vehicles.

1.1.3 Nakumatt Holdings Ltd

Nakumatt started as family managed outlet back in 1987, however it opened its first branch in Nairobi along Uhuru Highway in 1992 (Now the Nakumatt Mega). It has expanded across the major towns in Kenya and has a total of 20 stores dealing in general retail merchandise. Nakumatt's store formats range from supermarkets to hypermarkets, which showcases distinct world-class shopping floor layouts and amenities. All the branches hold a range of over 55,000 quality local and international products. With a total workforce of over 3500 employees it serves over 164 nationalities (Nakumatt Smart News, 2008).

All the 19 strategically located Nakumatt stores have been tastefully designed with wide aisles for pleasurable shopping experience. Attractive display units have been installed to hold well defined product categories. It has well lit shopping environment with ample parking, convenient shopping hours.

In 2003, Nakumatt introduced loyalty programme through the Smart Card which other supermarkets followed suit; like Uchumi (U-Club Card), Tuskys (Magic Card), Ukwala (Zawadi Card) and Chandarana (Smart Bonus Card), (Kamau, 2006). However, the Nakumatt smart card has gained popularity amongst the shoppers due to its benefits like redemption of the points for school fees, free shopping, and shopping discounts at other strategic business units. It has also been ISO Certified in 2007.The 24 Hours shopping concept is a brain child of Nakumatt at selected stores, thus complimenting the Government efforts in transforming the country into a 24 hour economy.

The Nakumatt Holdings Ltd has diversified into several businesses especially within the Hyper Stores. These are the Strategic Business Units, managed by business managers. They include, Phone Express, Image Motors, Lifestyle furniture, Fresh 'n' Juicy, Bakeries, Books first, and several other shops. All the above SBUS have their own strategic business plans in line with Nakumatt's corporate strategy. In the field of training manpower for the future, Nakumatt has partnered with JKUAT in 3 years retail management course. Other strategic partners in provision of services include, Safaricom, Barclays Bank, Celtel (Zain), and Equity bank.

On the Regional front, it opened the first regional Outlet stores in Rwanda in August 2008 (Daily Nation Newspaper, August 2008) and plans are underway for Uganda and Tanzania in the next one year as well as 11 more branches in Kenya (Nakumatt

Smart News. 2008).According to the Nakumatt smart news (2008). Nakumatt is set to list in the Nairobi Stock Exchange in 2009.

1.2 Statement of Research Problem

Corporate strategy is the companywide game plan for managing a set of business units (Thompson et al. 2007). The corporate executives for a diversified organization will therefore be concerned with setting the organizational direction in terms of which markets/businesses to operate, the range of products/services to offer, and non-financial goals the company to address. The non-financial goals, should include; the corporate image and what areas of social responsibility to take part (Pearce and Robinson, 2007). To large extent, orientations at the corporate level should reflect the concerns of stakeholders and society at large. Hax and Majluf (1996) observes that corporate strategy as a multidimensional concept that embraces all the critical activities of an organization, providing it with a form of unity, direction, and purpose as well as facilitating the necessary changes induced by its environment.

The environment in which today's organizations are operating is both turbulent and dynamic. Technology is changing very fast and global village actualization is now a reality to the developing countries. Liberalization of the Kenyan economic environment has made even worse especially for the retail sector – supermarkets. Imported goods are now flooding the markets especially from the far East Countries (Daily Nation. June 2006). Competition has become very intense and fierce in retail sector. It's only those supermarkets who address the turbulent business operating environments by crafting appropriate competitive corporate strategies, to anticipate and cope with this dynamic environment as a means of ensuring that they survive and prosper despite this chaotic environment. In 2006 Uchumi (then the leading supermarket) was placed under a receiver manager due to failure to match their corporate expansion strategy with long term financing tools. Metro Cash and Carry limited from South Africa, which opened her store in early 1990's closed down soon after, due to failure to cope with intense competition from the local players. Recently, the demand by government to eliminate most of polythene plastic bags for packaging, has also affected the supermarkets. They had to develop bio-degradable plastic bags and now / recently have embarked on fibre made packaging bags. Nakumatt Holdings Ltd. has led the other supermarkets in all these fronts of environment friendly packaging bags as well in the expansion and diversification of their operations.

A search of the available literature on the subject matter did not find any study on corporate strategy development in retail sector (supermarkets). However, related studies have been done; Karanja (2004) studied on strategic planning and performance in public corporations in Kenya; Atebe (2006) researched on strategy development processes in government of Kenya departments. Malusi (2006) studied on strategy development and challenges in public corporations; a case study of National Hospital Insurance Fund. All these studies focused on all the three levels of strategic management and more so, on the build up of strategic advantage over competitions.

It's evident from the above studies that there is a gap in the area of corporate strategy development in the supermarkets, given their growth in the late 1990s and 2000s. Nakumatt, the leader in the retail sector of supermarkets, has gown tremendous and diversified. Recently it was ranked among the best in the world by Planet Retail, sharing the stage with Wal-mart, Tosco's among others. It is thus in this light that the study seeks to unravel the corporate strategy development processes undertaken by

Nakumatt Holdings Ltd management and staff. Then, 'what is this corporate strategy development in Nakumatt Holdings Ltd?'

1.3 Research Objectives

The objectives of this study will be:

i) To identify the corporate strategy development processes of the Nakumatt Holdings Ltd.

ii) To determine the factors that affect corporate strategy development at Nakumatt Holdings Ltd.

1.4 Significance of the Study

The research shall provide valuable insight to the management and staff at Nakumatt Holdings on the corporate strategy development. It shall help in the development of the relevant policies and help to identify solutions to the challenges faced in the corporate strategy development of the organization.

The research will provide valuable information's on the intricacies of corporate strategy development in supermarkets in general. Other supermarkets can use the findings as reference point in their corporate strategy development processes.

The study will contribute to the bridging of the knowledge gap by underscoring how corporate strategies are context-dependent. Future scholars can use the study for further research in the same area or related field.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Corporate Strategy

Aosa (1992) observed that the major task of corporate executives is to assure existence of their organizations. Hence, various leading strategic management scholars and practitioners have underscored the importance of corporate strategy. They include, Porter (1980), Mintzberg (2003), Ansoff and McDonnel (1990), Johnson and Scholes (2005) and Quinn (1987) among others. Accordingly, the section shall focus on this important concept of strategy as a backbone for understanding the corporate strategy development process. Different authors have defined strategy differently. The various definitions suggest that the authors gave selective attention to aspects of strategy, which are all relevant to our understanding of the concept (Aosa, 1992). According to Ansoff and McDonnel (1990), strategy aligns an organization with its external environment. Strategy seeks to bridge the gap between current positions of the organization to its future intended direction, using a set of decisions making rules to guide such behaviour. A strategy can be viewed as a multidimensional concept that embraces all the critical activities of the firm providing it with a sense of unity, direction and purpose, as well as facilitating the necessary changes induced by its environment (Hax and Majluf, 1996)

Chandler (1962) defined strategy as the determination of the basic long-term goals and objectives of an organization, and adoption of courses of action and the allocation of resources necessary for carrying out these goals. Chandler considered strategy as a means of establishing the purpose of an organization by specifying its long-term goals and objectives, action plans and resource allocation patterns to achieve the set goals and objectives. Chandler (1962) further argues that the structure of an organization follows the strategy of the organization. He observes that different strategies are best implemented if certain organizational structures are developed. Thus, if an organization has crafted an appropriate strategy, this becomes a good guideline in designing an appropriate structure to carry out the strategy (Aosa, 1992).Thompson and Strickland (2007) points out that an excellent strategy is best test for managerial excellence and the most reliable recipe for organizational success.

Strategy enables organizations to focus their resources and efforts (Pearce and Robinson, 2007). The development of corporate strategy helps corporate – level managers in identifying the critical tasks that need to be performed and hence help in defining an organizational thrust. Strategy also helps an organization to out perform and outwit the competition successfully. Porter (1980) underscores the role of strategy in securing competitive advantage over rivals. Pearce and Robinson (2007) points out that strategy helps in providing long-term direction for an organization. This provides a perspective for the various diverse activities overtime, which enables organizations perform current activities at the same time viewing them in terms of their long term implications for the probable success of the organization. Similarly strategy helps firms to cope with change (Pearce and Robinson, 2007). Due to the turbulent changes in the organizational operating environment, companies need strategy to mitigate to these changes at all time.

Wheelen and Hunger (2008) observed that strategy as a comprehensive master plan should state how the organization achieves her mission and objectives. Strategies should maximize competitive advantage and minimize competitive disadvantage. Thus corporate strategy deals with the key issues facing the organization as a whole; namely, directional strategy, portfolio strategy, and parenting strategy. Directional strategy; it's the firm's overall orientation toward growth, stability, and retrenchment. Portfolio strategy; refers to the management decisions of industries or markets in which the firm competes through its products and business units. Finally, the parenting strategy deals with the manner in which management coordinates activities and transfers resources and cultivates capabilities among product lines and business units (Wheelen and Hunger, 2008).

Porter (1987) views corporate strategy as the overall plan for a diversified company. Corporate strategy is what makes the corporate whole add up to more than the sum of its business units. According to Potter (1987), a diversified company has two levels of strategy. The companywide (corporate) strategy which concerns firstly; which businesses the organizations should be in and secondly, how the corporate office should manage the array of business units. The other level of strategy; – business unit (competitive) strategy whose main concern is how to create competitive advantage in each of the businesses in which the company competes.

Thompson and Strickland (2007) points out that, corporate strategy as the overall managers' game plan for a diversified company. It is the approaches that top corporate executives pursue to boost the combined performance of the set of business the company has diversified into. This means they have to capture cross-business synergies and turn them into competitive advantage. Key business – unit heads may be influential, especially in strategic decisions affecting the businesses they head. These major strategic decisions are usually reviewed and approved by the company's board of directors (Thompson et al, 2007).

Newman et al, (1989) argues that corporate strategy focuses on the selection and interrelations of business units that, in fact, yield the benefits of synergy. They observed that corporate executives are more concerned with building effective collection of business units to improve on the share value of the total portfolio investments. They therefore spend most of their time in building up existing business units, deciding which business units to divest or liquidate and perhaps acquire new business units.

Andrews (1987) defines corporate strategy as pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans to achieve the goals. It therefore defines the range of businesses the company is to pursue, and the kind of economic and human organization it is or intends to be. Finally the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, communities and other stakeholders. Andrews (1987) points out that corporate strategy is an organization process, in many ways inseparable from the structure, behaviour and culture of the company in which it takes place. Mintzberg et al (2003) proposes five formal definitions not in isolation but interrelated, as plan, ploy, pattern, position and perspective.

Johnson and Scholes (2005) points out some general explanations of strategy development in organizations: first, that strategies develop as a result of deliberate managerial intent; second, that strategies can be better explained as the outcome of cultural and political processes in and around organizations; and third, that strategy development is imposed on organization.

Thus the task of crafting a diversified company's overall or corporate strategy falls squarely in the lap of top-level executives. It involves four facets.

i) Picking new industries / businesses to enter and deciding on the means of entry.

ii) Initiating actions to boost the combined performance of the businesses the firm has entered.

iii) Pursuing opportunities to leverage cross business value chain relationships and strategic fits into competitive advantage.

iv) Establishing investment priorities and steering corporate resources into the most attractive business units.

Porter (1987) identified three premises of corporate strategy namely; competition at business level, diversification adds costs and constraints to business units, and finally shareholders can readily diversify themselves. Diversified companies do not compete; only their business units do. It is therefore imperative that corporate strategy focuses on nurturing the success of each business unit. Successful corporate strategy must grow out of and reinforce competitive strategy.

Diversification inevitably adds costs and constraints to business units. Costs like corporate overhead allocated to a business unit are as important or subtle as the hidden costs and constraints. Business units have to explain decisions to corporate executives, spent time complying with planning and other corporate policies. All these costs can be reduced but not entirely eliminated.

Shareholders can diversify their own portfolios of stock by selecting those that best match their preferences and risk profiles. Shareholder can often diversify more cheaply than a corporation because they can buy shares at market price and avoid hefty acquisition premiums. Porter (1987) concludes by noting that corporate strategy should add value to business units by providing tangible benefits that off-set the inherent costs of lost independence and shareholders by diversifying in a way they cannot replicate.

2.2 Corporate Strategy Development Processes

2.2.1 Strategic Planning Process in Organizations

A company's strategy is management's game plan for growing business, staking out market position, attracting and pleasing customers, competing successfully, conducting operation and achieving targeted objectives (Thompson et al. 2007).

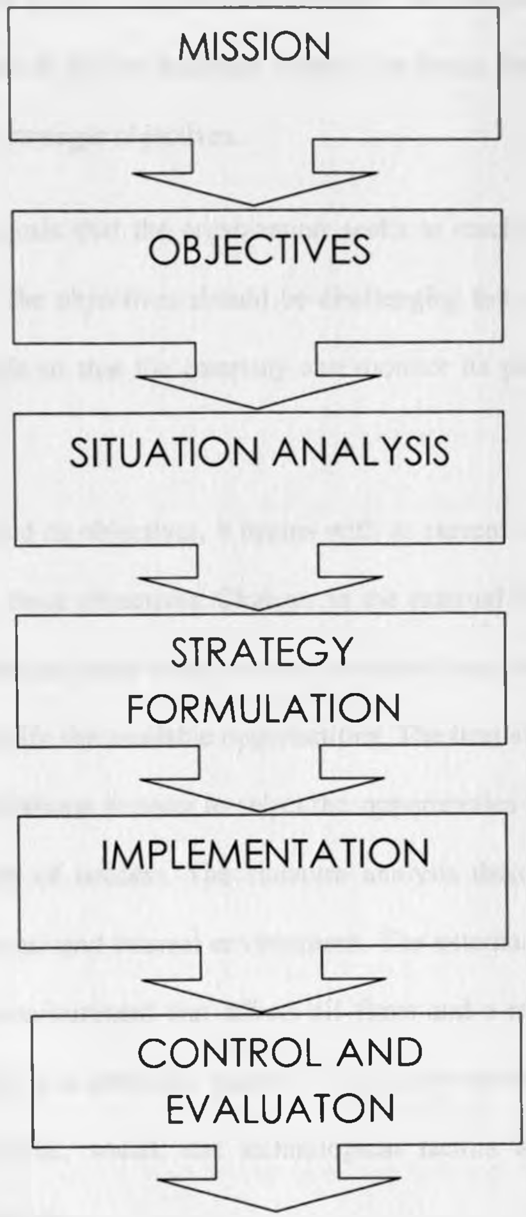
Planning is a formalized procedure to produce an articulated result in the form of an integrated system of decisions. Thinking about and attempting to control the future are important components of planning (Mintzberg and Quinn, 1996).

Strategic planning is a complex and ongoing process of organizational change. Several attributes, when combined effectively define a successful and comprehensive strategic planning process. It is oriented and focuses on the anticipated future. It is based on thorough analysis of foreseen or predicted scenarios of the possible futures, as well as analysis of internal and external data. Strategic planning is flexible and oriented towards the big picture while aligning an organization with its environment.

It is an ongoing continuous learning process and organizational dialogue, which extends beyond attaining a set of predetermined goals. When successful it influences all areas of operations, thus becoming a part of the organization's philosophy and culture.

Strategic planning is a part of the wider strategic management process and involves formulation of mission and objectives, environmental scanning and strategy formulation. The sequence of the steps is illustrated in figure 2 .

Figure 2: Strategic Planning Model



Source: Pearce and Robinson, 2007

The mission statement describes the company's business vision, including the unchanging values and purposes of the firm and forward – looking visionary goals that guide the pursuit of future opportunities. A company's mission is its reason for being. The mission often is expressed in the form of a mission statement, which conveys a sense of purpose to employees and projects a company image to customers. In the strategy formulation process, the mission statement sets the mood of where the company should go. Guided by the business vision; the firm's leaders can define measurable financial and strategic objectives.

Objectives are concrete goals that the organization seeks to reach, for example, an earnings growth target. The objectives should be challenging but achievable. They also should be measurable so that the company can monitor its progress and make corrections as needed.

Once the firm has specified its objectives, it begins with its current situation to devise a strategic plan to reach those objectives. Changes in the external environment often present new opportunities and new ways to reach the objectives. An environmental scan is performed to identify the available opportunities. The firm also must know its own capabilities and limitations in order to select the opportunities that it can pursue with a higher probability of success. The situation analysis therefore involves an analysis of both the external and internal environment. The external environment has two aspects: the macro-environment that affects all firms and a micro-environment that affects only the firms in a particular industry. The macro-environmental analysis includes political, economic, social, and technological factors and sometimes is referred to as a PEST analysis.

An important aspect of the micro-environmental analysis is the industry in which the firm operates or is considering operating. Michael Porter (1987) devised a five forces framework that is useful for industry analysis. Porter's five forces include barriers to entry, customers, suppliers, substitute products, and rivalry among competing firms (Porter, 1996).The internal analysis considers the situation within the firm itself, such as: company culture. company image. organizational structure. key staff. access to natural resources. position on the experience curve. operational efficiency. operational capacity. brand awareness. market share. financial resources. exclusive contracts. and patents and trade secrets.

Participation is a major concern of the strategy formulation exercise. Top management should devise a staff action plan. which ensures a proper two-way flow of information that gives relevant advice on issues of concern. Various functional groups with often conflicting interest and bargaining power have the opportunity to interact by freely expressing their realities and priorities (Thompson at el. 2007).

This process is most applicable to strategic management at the business unit level of the organization. For large corporations. strategy at the corporate level is more concerned with managing a portfolio of businesses. For example, corporate level strategy involves decisions about which business units to grow, resource allocation among the business units. taking advantage of synergies among the business units. and mergers and acquisitions. In the process outlined here. "company" or "firm" will be used to denote a single-business firm or a single business unit of a diversified firm.

Strategy formulation involves key activities of establishing a framework for the exercise and reaching a consensus on the objective, purpose and results so that it is appropriate. The entire strategy formulation process must have the blessing and active participation of the top executively. Senior Manager should play a leading role in the exercise. However, strategies should be implemented in partnership manner that involves consultation and participation of key stakeholders (Rowe. 1994)

A situation analysis can generate a large amount of information, much of which is not particularly relevant to strategy formulation. To make the information more manageable, it sometimes is useful to categorize the internal factors of the firm as strengths and weaknesses, and the external environmental factors as opportunities and threats. Such an analysis often is referred to as a SWOT analysis.

Once a clear picture of the firm and its environment is in hand, specific strategic alternatives can be developed. While different firms have different alternatives depending on their situation, there also exist generic strategies that can be applied across a wide range of firms. Michael Porter (1987) identified cost leadership, differentiation, and focus as three generic strategies that may be considered when defining strategic alternatives. Porter advised against implementing a combination of these strategies for a given product; rather, he argued that only one of the generic strategy alternatives should be pursued.

The strategy will likely be expressed in high-level conceptual terms and priorities. For effective implementation, it needs to be translated into more detailed policies that can be understood at the functional level of the organization. The expression of the strategy in terms of functional policies also serves to highlight any practical issues that might not have been visible at a higher level. The strategy should be translated into specific policies for functional areas such as: marketing, research and development, procurement, production, human resources, and information systems. In addition to developing functional policies, the implementation phase involves identifying the required resources and putting into place the necessary organizational changes.

Once implemented, the results of the strategy need to be measured and evaluated, with changes made as required to keep the plan on track. Control systems should be developed and implemented to facilitate this monitoring. Standards of performance are set, the actual performance measured, and appropriate action taken to ensure success.

2.2.2 Strategy Development as a Managerial Intent

Corporate strategy development as a managerial intent assumes that, organizational top-executives deliberately influence the strategy to be followed by the organization. Johnson and Scholes (2005) observe that, Corporate Strategy as a managerial intent can be explained in different views. The planning systems view, a command view and the logical increment view.

The proponents of the planning view (Johnson and Scholes, 2005) argue that strategy development can be equated with strategic planning systems. Such strategy processes takes the form of highly systematised chronological procedures involving different parts of the organization. In many corporations, corporate planning departments are set up to handle and co-ordinate the process. Corporate executives in support of this process argue that a highly systematic approach is rational to corporate strategy development.. Corporate objectives and goals are identified and environmental and resource analysis is carried out. More so, generation of strategic options and their evaluation as well as planning for implementation via resource allocation, organizational structuring and control systems are set up. The planning horizons vary depending on the organization, mostly 3 to 5 years plan are appropriate, since they give the strategy longer term view. Strategic workshops and seminars can also be of necessity to the corporate level managers.

In the strategic planning systems, corporate executives regularly review performance and progress against agreed strategic direction of the organization. It therefore becomes useful mean of co-ordination of various business units' strategies within an overall corporate strategy. Consequently, resources within the business are coordinated to put strategy into effect. Since planning systems view involves several departments or business units within the organization, ownership and communication of the intended strategy is enhanced.

The command view sees corporate strategy development as an outcome of influence of an individual or a small group of top level stakeholders, but not necessarily through the formal plans. Therefore corporate strategy development is strongly associated with an individual (strategic leader) and it's dependent on the individual. Strategic leader could be a Chief Executive Officer (CEO) who has turned round a business in times of economic and environmental turbulences, hence personifies the success of the organizations strategy. A strategy advanced by a long established CEO may strongly reflect or be informed by his or her organization's paradigm. Whereas, strategy advanced by a new CEO to organization may be based on a successful strategy followed in a previous organization .Their personality or reputation is seen as a positive force hence others willingly defer to them and see corporate strategy development as their province (Johnson and Scholes, 2005). Business leaders / owners, former founder directors and political leaders may also yield similar effects to shaping the corporate strategy.

Quinn (1980) discusses logical incrementalism and argues that strategic management is best viewed as 'muddling through with purpose', using a continuous evolving and consensus building process. Logical incrementalism is a corporate strategy development process where top-level managers have a view of where they want the organization to be in years to come. They then, try to move towards this position in an evolutionary way. However, in this view, such experiments should be encouraged to emerge from lower levels, or 'subsystems' in the organizations. Overall, logical incrementalism can be thought of as the deliberate development of corporate strategy by 'learning through doing' or 'crafting' of the strategy.

In logical incrementalism, there is a reluctance to specify precise objectives too early, as this might stifle ideas and prevent experimentation. Corporate managers see their job as 'strategists' who continuously, proactively, pursue a strategic goal, countering competitive moves and adopting to their environment, while not 'rocking the boat', so as to maintain efficiency and performance. Quinn (1987) argues that 'properly managed, it is conscious, purposeful proactive, executive practice'. Logical incrementalism does not fit a neat sequential design approach to strategy development. The idea that the implementation of a strategy somehow follows a choice and analysis does not hold; rather strategy is seen to be worked through action.

Logical incremenalism upholds the importance of the activities and contribution of people throughout the organization, in the 'subsystems' of the organization, rather than just at the top (Johnson and Scholes, 2005).The continual state of inter-play by managers from all the business units, ensures, the political nature of organizational life is taken into account. Therefore, formulation of strategy in logical incrementalism means that the implications of the strategy are continually tested out.

2.2.3 Organizational Processes

Organizational processes with respect to corporate strategy development can be viewed through cultural processes and political and networks of the organization.

Organizational culture is the deeper level of the basic assumptions and beliefs that are shared by members of an organization. They shape how the organization views itself and the environment (Schein, 1985).Organizational management cannot be conceived of just in terms of the manipulation of techniques and tools of analysis. It is also the application of experience built over years often within the same organization or industry. This is rooted not only in individual experience but also in-group and organizational experience accumulated over time.

Corporate strategy may also be explained in political terms. The influence of powerful internal and external interest groups in organizations will impact on the different inputs into corporate strategy development. Mintzberg et al (1998) asserts that introducing ambiguity, uncertainty, competing goals, varied perceptions and scarcity of resources raises politics. The political view *of* corporate strategy development is, then, that they develop as the outcome of processes of bargaining and negotiation among the powerful internal or external interest groups. Thus, an organization will pursue a certain strategy not because it reflects the environmental or competitive pressures, but because it has implications on the status or influence of different stakeholders (Johnson and scholes, 2005). Political activity may be seen as resulting in emergent or incremental patterns of corporate strategy: Emergent in the sense that it is the bargaining and negotiation that gives rise to strategy rather than carefully analysed, deliberate intent. Incremental for two reasons; first, if different views prevail in the organization and different parties are exercising their political muscle, compromise is inevitable. Second, that it is from the pursuit of the current strategy that power has been gained by those wielding it (Johnson and Scholes, 2005).

2.2.4 Imposed Corporate Strategy Development

There may be situations in which managers face enforced choice of strategy by agencies or forces external to the organization (Johnson and Scholes, 2005). Government may dictate a particular strategic course of direction for example the ban of smoking in the public areas by the government in 2008 (Daily nation, March 2008). This ban may impose a corporate strategy change in the Tobacco manufacturing companies. This may not be the wish or choice of the corporate managers. Diversified organizations seeking to develop businesses in some parts of the world may be subject to host governments' requirements to do business in her way, like through joint ventures or alliances with the local companies. In other organizations. managers see the scope of strategic options as limited by environmental constraints and thus must have the capability to develop strategies to overcome such constraints (Johnson and Scholes, 2005). The resulting corporate strategies are therefore commonly externally driven.

2.2.5 Alternative Models to Corporate Strategy Development.

From the foregoing discussion, it's evident that, there is no one way in which corporate strategies develops. Therefore, alternative or other views to corporate strategy development may provide other insights into the concept. Porter (1980, 1991) focused on the external forces and the changing nature of competition within the firms' industry. His model commonly referred the "Five Forces" consists of:

i) The rivalry among the existing players in the industry

ii) Threat of new entrants (firms) to the industry

iii) Bargaining power of suppliers

iv) Bargaining power of buyers (customers)

v) Threat of substitute products

Subsequently, firms must make a choice among possible 'generic' strategies such as provision of services and product at low cost, product differentiation, high degree of customer loyalty development, or focusing on narrow market segment and avoid the notion of "being all things to all people" (Mintzberg et al, 1998)

According to Hamel and Prahalad (1991, 1994) corporate strategy is the ability to stretch and leverage of firms' competencies. The competitive advantage of a firm is rooted on the firm's core competencies. Strategic management is thus a collective learning process aimed at developing and exploiting distinctive competences that are difficult to imitate. Collins and Montgomery (1999) developed a resource-based view of the firm. The capabilities and resources are therefore key to company's competitive position, subject to interplay of three fundamental market forces:

i) Demand (does it met customers' needs and is it competitively superior?)

ii) Scarcity (is it imitable or substitutable, and is it durable?) and

iii) Appropriability (who owns the profits?)

2.3 Challenges of Corporate Strategy Development

Corporate strategy development, like any other process in strategic management is faced with various challenges. One prime challenge is environmental turbulence and uncertainty. Organizational operating environment sometimes would appear to be turbulent and chaotic such that corporate executives may not predict what will happen and when. Johnson and Scholes (2002) points out that in such situations, formalized planning approaches with pre-determined fixed objectives may not work. The idea that there is need to agree and reach a consensus on issues facing the organizations is also questionable: the environment is too complex and rapidly changing for those to be likely or even desirable. A changing and unpredictable environment will demand varied responses from the organization (Ansoff and McDonnell, 1990). Such responses may affect the corporate strategy development process of the affected organizations.

Chandler (1962) observed that the structure of an organization follows the strategy. Stoner and Freeman (1989), defines organizational structure as, "the arrangement and interrelationships of the components and positions of a company." Thus it specifies the organizations hierarchy and authority by structure.

There are formal and informal organizational structures. In an organization which is formally structured into functions, product / market or in matrix form, the approaches taken in corporate strategy making are commensurate with the different types of the structure. In formal organizations structure the authority is centralized and bureaucratic in nature whereas in informal organizational structure are the undocumented relationships among members of an organization and often there is devolution of power, which leads to decisions being made rapidly with little or no planning at all (Stoner and Freeman, 1989). It is therefore important to recognize the significance role played by organizational structure whether formal or informal in corporate strategy development.

Johnson and Scholes (2005) observe stakeholders as the individuals or groups who depend on the organization to fulfil their own goals and in whom in turn; the organization depends. They include suppliers, government agencies, shareholders, creditor, and the media. Their expectations and interests challenge the mode of corporate strategy development. Stakeholders are the external parties the organization interacts with, but also concern internal parties such as staff and the board of direction. Hence organizations have to interpret, weigh and balance stakeholders' values and interests.

Hill and Jones (2001) see organizational politics as tactics that corporate managers and stakeholders engage in to obtain and use power to influence organizational goals and change strategy and structure to further own interests.

An organizational culture is the customary or traditional way of thinking and doing things which are shared to a greater extent by all members of the organization. New members must thus learn and at least partially accept in order to be accepted into the service of the firm (Stoner et al 2001) When an organization's culture is consistent with its strategy, the implementation of the same is eased considerably. It is thus difficult to develop and implement a strategy that contradicts the organization's culture (Stoner et al 2001). Changing a firm's culture to fit strategy is more effective than changing a strategy to fit existing culture (David, 1997).

Organization Culture is the deeper level of basic assumptions and beliefs that are shared by the members of an organization (Johnson and Scholes, 2005). Thompson et al (2003) argues that the organizational culture and values held by corporate managers and other employees within the organization have key influences on strategies of change. Therefore, they are central drivers in corporate strategy development.

According to Hamel (1996), any company intent in creating industry revolution has to identify the unshakable beliefs that cut across the industry – the industry conventions and the company must search for discontinuity in technology, lifestyle, or working habits that might create opportunities to re-write the industry rules.

Leadership has a fundamental influence on the corporate strategy development. A leader is an individual who is able to influence the attitudes and opinions of others to achieve a coordinated effort from a diverse group of employees. Corporate strategy development being sometimes boardroom arguments and consensus settlement, a strong organizational leader, will influence which businesses to diversify into, in the case of diversified company. According to Pearce and Robinson (2008), leaders galvanize commitment to embrace change through three interrelated activities; clarification of strategic intent, building an organization and shaping organizational culture.

Thompson et al (1990) observe that resources like financial resources, technological resources, physical resources and human resources are critical to firms' success in competitive environment. Corporate strategy development involves allocation of resources to the business units optimally. Corporate strategy practises, enables resources to be allocated according to priorities established by the long term objectives. Nothing can be so detrimental to strategic management and to organizational success than for resources to be allocated in ways not consistent with priorities indicated in approved objectives. A firm with financial resources will find it easy to acquire strategic business units into her portfolio of investments.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research adopted case study design. It involved the collection of in-depth data to better understand the corporate strategy development process at Nakumatt Holdings Limited.

Kothari (1990) defines a case study as a very powerful form of qualitative analysis that involves a careful or a complete observation of a social unit. It is a method of study in depth rather than in breath.

The case study design has been deployed in numerous studies in the past. Most recently several researchers have employed this research design in their studies (Muruiki, 2005); (Kiuna, 2007); and (Mobisa, 2007).

3.2 Data Collection

Primary data was collected for the study through in-depth personal interview with the MD, Operation Director and IT Director as well as five (5) heads of departments in Nakumatt Holdings Limited. . During the interviews, key point will be noted down by the interviewer. The interactive nature of this method of data collection enabled the clarification and exhaustion of the coverage of the research questions as compared to other methods such as posted questionnaire (Bogdan and Taylor, 1975). The qualitative data provided a better feel which could not be experienced in the numerical data and statistical analysis used in quantitative research (Cassell and Symon 1994). The secondary data was generated through review of documented organizations' strategic plans, minutes of meetings on strategy development, Nakumatt Smart News magazines.

3.3 Data Analysis

The data sought to establish how corporate strategy is developed at Nakumatt Holdings Ltd. After all the interviews where completed and information collected, it was checked and verified to ensure consistency, exhaustiveness and completeness in the information to be expected.

The data was then coded to allow for content analysis. Content analysis was best suited for the kind of data generated since it avoids subjectivity. The content analysis took the form of qualitative analysis. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying characteristics of messages and using the same approach to relate trends.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the research objectives as set out in chapter one. The research objective was to identify the corporate strategy development processes at Nakumatt Holdings Limited (NHL) as well as the challenges that affect the process. The research project adopted an in-depth personal interview using an interview guide.

The respondents consisted of three directors; namely the Chief Executive Officer (C.E.O), Operations Director and IT Director. Eleven heads of business units/department and branch managers were also interviewed to investigate how members of staff they manage are integrated into corporate strategy development process.

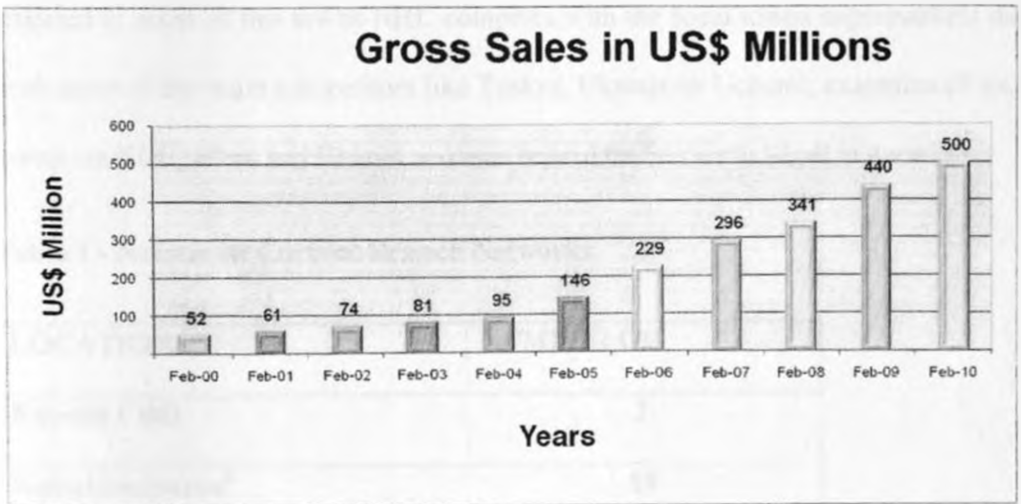
Two of the directors were found to have been with Nakumatt Holdings Limited for more than ten years while the other, to have been slightly over four years with the company. All the three directors were found to have a rich wealth of knowledge on the latest management skills of supermarkets. They have learned over the years and have travelled across the globe to the leading supermarkets in the world; namely Wal-mart, Tesco, to gain more exposure on management of supermarkets.

Most of the heads of business units, branch managers and strategic business partners have grown with Nakumatt over the years. They therefore provided a lot of information on strategy development process as they have witnessed over the years.

4.2 Nakumatt Holdings Limited Profile.

According to the research findings, NHL which has its humble beginning from the current Nakumatt Mega branch, in 1992, has grown into multi billion company with a current turnover of over kshs.28billions as illustrated by figure 3. As shown it has grown from kshs2.6 billions in year 2000 to over kshs.28billions within a period of 8 Years. The Company has a projected turnover of kshs.32billions by 2010.

Figure 3 - Nakumatts' growth patterns in turnover (US$ millions)



Source: Research data

Nakumatt headquarters are situated in Nairobi's Industrial area, where the corporate functions are carried out as well as a multi-mega central warehouse. All the suppliers deliver their products at the head office, from which they distributed to the various branches as per the orders they place with the head office. The research findings established that, NHL stocks over 55,000 quality local and international products and services at the ratio of 55% local to 45% imported. Most of the suppliers own their products until they are sold, thus safe guarding Nakumatt from any spillage and damages arising thereof.

Table 1 and 2 shows that. Nakumatts' strength in term of size. currently 20 branches in Kenya and one in Rwanda as well as the projected regional size of 37 branches by the year 2010. This gives NHL a competitive edge over her competitors who according to the research. are yet to spread to strategic towns within Kenya. All 20 branches are strategically located in major Towns across the country .The research revealed in most of this towns NHL competes with the local towns supermarkets due to absence of the main competitors like Tuskys. Ukwala or Uchumi; examples of such towns are Kisii, Meru and Eldoret and even beyond the borders to Kigali in Rwanda.

Table 1 - Nakumatt Current Branch Networks

LOCATION	NUMBER OF
Nairobi CBD	2
Nairobi suburbs'	10
Mombasa Town	3
Kisumu Town	2
Eldoret Town	1
Kisii Town	1
Meru Town	1
Rwanda Kigali	1
TOTAL NUMBER OF BRANCHES	21

Source: Research data

According to the NHL strategic documents, it proposes to have over 37 branches by December 2010 in the East African region as shown on the table 2.

Table 2 - Nakumatt proposed regional branch networks by 2010

Country	Number of branches
Kenya	30
Uganda	3
Rwanda	2
Tanzania	2
TOTAL NUMBER OF BRANCHES BY 2010	37

Source: Research data

The research findings also revealed that NHL has not only grown in terms of turnover and elaborate branch networks but also in term of employees. Table 3 shows that at the start of NHL total number of it had in the year 1992, 2002, 2008 (currently) and the projected number by December 2010.The employees growth has been in both quantity and quality as shown in the high level customer service extended to all NHL customers. According to the research findings there have been high level trainings for NHL staff both locally and overseas. NHL partnership with the local University (JKUAT) in the training of retail management is pointer towards the quality of staff needs for Nakumatt.

Table 3 - Nakumatt growth in terms of employees

Period	Number of Employees
1992 (At the start)	36
2002	1,245
2008	3,681
Projected by 2010	5,000

Source: Research data

4.3 Process of corporate strategy formulation at Nakumatt holdings Ltd

4.3.1 Vision and Mission

A strategy is about a destiny of an organization and it calls for vision and mission. Nakumatt Holdings Limited is no exception. The respondents were asked if Nakumatt has a vision and mission statement. The response obtained was that Nakumatt vision and statement were as illustrated below.

Nakumatt's Vision:

To become a Pan African Retail chain of superstores in the next 5 years.

Nakumatt's Mission:

"Our goal is to create a chain of superstore in strategic locations delivering quality, value, service, variety and lifestyle, with convenient opening hours giving every one the opportunity to shop at Nakumatt."

The mission statements illustrated above is the fundamental unique purpose that sets an organization (NHL) apart from other supermarkets of its type and identifies the scope of its operation, that is, its business, the relationship between the organizations and communicates a sense of what is to be achieved. For most organizations, the mission addresses the organizations businesses, the relationship between the organization and its stakeholders, its broad goals and expected performance (Hax and Majluf, 1996).

The respondents were further asked to state the role of the mission statement. The study found out that the mission statement espouses the organizational core values, defines its scope and mandate, guides formulation of strategies and spells its primary purpose and core activities. For example, the respondents were in agreement that all the Nakumatt's 19 branches are strategically located and do deliver unmatched quality products and services, value for money and variety as well as an enhancing lifestyles of many Kenyans. Hence the mission statement actually drives Nakumatt Holdings into delivery of services and products at an exceptional way. They study also established that the mission statement is further enhanced by the Nakumatt's claim/motto of "You need it, we've got it!"

The respondents also stated that the mission statement is linked to the vision. Thus, for Nakumatt to be the Pan African Retail chain it has to embrace what is outlined in the mission statement. This can be demonstrated by the recent expansion into the greater East African region; namely – Rwanda. The respondents agreed that mission statement is practically embraced by all the staff as they serve shoppers.

The study established that the corporate strategies adopted are geared towards the mission and vision. This is illustrated by the unanimous agreement by interviewees, that there is a direct relationship between the organization's missions and corporate strategies adopted. A number of the interviewees mentioned that the mission had been slightly adjusted recently to take into account changing factors in the environment. One modification recently undertaken by the management was geared towards becoming Pan African Retail superstores and gearing towards IPO in the very near future. Concepts of shop 'n' shop, 24 hour shopping, the drop of countrywide and insertion of regional in Nakumatt's logo as shown in the next page are all towards achievement of the vision.

Figure 4 - Nakumatt logos before and after changes

Countrywide | **Regional**

4.3.2 Corporate Strategy Formulation

Strategy development at Nakumatt Holdings Limited can be termed to be highly formalized where the board of directors and the senior management team are mainly involved. However, the study established that there is evident that the lower cadre of employees and even business partners / suppliers' views is normally incorporated in the strategy formulation. The process can therefore be termed to be all inclusive.

Both senior management and board of directors formulates the corporate strategies with inputs from the business partners and once approved, they are communicated downward to the entire staff, through the branch level management / business partners' management's in terms of competitive business strategies and programs.

The respondents noted that Nakumatt Holdings uses both up-down and bottom-up approach in strategy development. In an interview with the Chief Executive Officer and the Director of Operations, it was established that the level of infrastructural development, organizational goals, customers' expectations on NHL, business partners and suppliers were among the issues considered very critical in the corporate strategy development process. Other factors considered in the strategy development process include organizational culture, business environment, competition, and government policies.

The study established that brainstorming, senior management meeting (monthly), supplier and business partners meetings (quarterly) did contribute a lot to the corporate strategy development processes. Monthly senior management meetings, normally, held at head office, Nairobi; between branch managers / business unit heads and departmental heads together with the directors; gives the inputs of other members of staff into strategy formulation. The branch managers /business unit heads do represent the views of their staff.

Brainstorming and strategic management workshops, where also employed as evident from the interviews with the departmental heads. This are normally held at the company's head office in Nairobi. At some point, strategic management consultants are invited to give insights into the strategy development processes.

When asked whether the corporate strategy development processes is continuous and incorporates environmental scanning and review, the responses were in the affirmative. The IT director confirms this, by asserting that 'information technology is very turbulent and changes are almost overnight.' They, therefore ensure that Nakumatt has the latest technology in the market to enable her to craft and implement the corporate strategies: and by extension. offer excellent customer service in line with the company's mission. goals and objectives. The continuous re-shaping and introduction of the financial products and services by Nakumatt like the smart cards. Barclays - Nakumatt credit cards are pointer to the continuous environmental scanning by Nakumatt Holdings Limited. The respondents asserts that. the all inclusive quarterly management meetings with the key business units heads and partner, is meant to reassess and review the progress of Nakumatt as a whole. This was a key point expressed by the Operations Director. during the interview.

The study also established that a strategic leadership was more evident in Nakumatt Corporate strategy development process. This is evidenced through the acknowledgement by most business units heads and even the operations director during the interviews. that the organization does have a strong strategic leader. Thus, the CEO, who is the founder director of Nakumatt. confirmed this during the interview that it is his wish to build a Pan African Retail chain of superstores. Hence, the mission and vision are embodied in the strategic leaders' dream. From the foregoing exposure of a strategic leader. the corporate strategies of Nakumatt are more of managerial intent rather than any other corporate strategy development processes.

Logical incrementalism, though minimal. cannot be ruled out of Nakumatt corporate strategy development processes. Learning from previous strategies. experiences and mistakes came out strongly, especially from the interview with the CEO. The CEO's belief that past experiences and even mistakes (including competitors) gives him a challenge and opportunity to face the future; is an indication of learning through the strategy development processes. Classic example was the drop of 'all under one roof' to 'you need it, we've got it.'

Benchmarking against the best practices in the world came out strongly, through the interview with the director of operations. 'Corporate strategies need not to be crafted from the scratch,' he commented. Nakumatt Corporate strategy development processes have also relied on benchmarking against the world leading supermarkets as shown in table 4.

Table 4 - Nakumatt Benchmarks attributes

Benchmark attribute adopted by NHL	Benchmarked against
Loyalty program: The smart card program	Tesco Supermarkets -UK
Stores format/ layout	Target Supermarkets -USA
Organizational culture	Wal-mart Supermarkets -USA
Value positioning	Wal-mart Supermarkets -USA
Customer service program	Tesco Supermarkets -UK
Speed for growth	Target Supermarkets -USA

Source: Research data

For example, Nakumatt's loyalty programme corporate strategy (smart cards loyalty programme) borrowed a leaf from Tesco supermarkets of UK where the program has been a success story to write on. NHL branches value position has also been guided by Target (of USA) practices. The Nakumatt's organizational culture and speed for growth corporate strategies have been shaped by benchmarking with Wal-mart supermarkets of USA. NHL has sponsored learning programmes for most of the heads of departments to learn more from Tesco and Wal-mart supermarkets.

The Director of operations, confirmed that Nakumatt's commitment to training as a critical factor in human resource development and consequently to corporate strategy development and implementation. He asserts that, knowledgeable, skilled and result oriented members of staff are key in the accomplishment of Nakumatt's vision and mission. The study, established that a training hall has been established at the head office. Leading training consultants are invited to conduct staff training and the current management tips for business unit managers.

4.3.3 Business level competitive strategies adopted by NHL

The research findings established that there is a strong link between the corporate strategy development and business level strategy formulation and implementation. Business level managers are involved in both corporate and business level strategy formulation; however it is their responsibility to formulate competitive strategies for their businesses to compete in the particular industries they operate. The competitive strategies should be in line with the broad corporate strategies established at corporate level.

According to Porter (1980), the essence of formulating competitive strategy is relating a company to its environment. He observes that the intensity of competition in an industry is neither a matter of coincidence nor bad luck. Rather, competition in an industry is rooted in its underlying economic structure and goes well beyond the behaviour of current competitors.

The findings of the study reveal that the company adopts various competitive strategies which are in tandem with the different markets in which it operates. The study also found that, to remain competitive, each of the company's divisions and/or departments crafts its own strategies but which draw from the broad policy guidelines crafted at the corporate level. Thus, according to the research findings, there is a strong link between the corporate level strategies and the competitive strategies adopted at the business level. All the branch managers and business units' managers do compete among themselves as well as the competition. They have monthly sales targets to achieve and this sets the stage for inter branch competition since according to the research; those who achieve their monthly target are rewarded with gift voucher as incentives.

The study found out that the strategic locations of the branches with large secure car parks acts as a competitive edge over competition. Customer service has been the key underlying strength of NHL branches in the competition front. NHL has invested on customer service through the free delivery to customers within their localities. The unique customer loyalty program (Smart card program), has played a significant role in locking in customers to NHL branches; this is evident by the fact that the number of customer flow into the stores has risen to an average of 100.000 per day and the number of transactions per day to over 65.000 per day. The research findings established that NHL does not entirely compete on prices but more emphasis is placed on the competitive uniform or same prices all the branches countrywide-round the clock, which are reflection of the quality customer service exhibited by NHL.

The 24 hour shopping concept, the only chain in East and Central Africa to embrace it gives Nakumatt a competitive edge over her competitors whose shopping hours are yet to rival NHL.

Joint Venture is a common strategy adopted by NHL in her expansion endeavours. Pearce and Robinson (2007) observe that two or more capable companies lack a necessary component for success in a particular competitive environment. The solution, they say, is a set of joint ventures, which are between commercial companies (children), created and operated for the benefit of the co-owners (parents). According to the findings of the study, the NHL has pursued this strategy to a considerable extent. The study established that the shop 'n' shop concept, which is common in all Nakumatt hypers, has to do with the joint ventures. Nakumatt has entered into joint ventures with several partners like Fresh 'n' Juici, Bata, Image motors, Motor Boutique, Lighting Mania, Barclays Bank, Safaricom, and Equity Bank. The Nakumatts investments in Rwanda, Uganda and Tanzania represents yet another milestone her efforts to be a truly regional company by pursuing grand strategy in form of joint venture.

4.4 Challenges of corporate strategy development processes at Nakumatt Holdings Ltd

Challenges in corporate strategy development process have a direct impact on the whole process. A key impact of the challenges is the environmental turbulence or business environment. This is attributed to the fact that Nakumatt is in the service industry and globalization as well as global village actualization is a reality in Kenya. Customers are ever demanding high international quality products and services. Thus Nakumatt's challenge is to match these customers' requirements with the ever turbulent business environments. This definitely affects the corporate strategy development strategies. For example Nakumatt has been upgrading and acquiring new IT systems in order to remain relevant in the global standards of service delivery.

Level of infrastructural development in Kenya and beyond as well as lack of the right skills at the right time according to research findings have a greater impact on the corporate strategy development processes. Nakumatt's supply chain mainly depends on the infrastructural condition of the country, thus in her efforts to grow and expand within the county and beyond, her main challenge is the condition of roads in terms of efficient supply of goods and services. IT networks available do impact negatively on the NHL growth and as a result hindering her in pursuit to some corporate strategies.

Lack of the right skills at the right time has also impacted negatively on NHL development of corporate strategies. This is more critical when it expands beyond the borders. A case in point is when it opened a branch in Rwanda; NHL had to export labour from Kenya, rather than employing from the locals available.

Organizational politics and stakeholder support, according to table 1, seems not to pose any serious challenge to corporate strategy development. According to the study, Nakumatt seems to have a good working relationship with her stakeholders or suppliers. This explains the low impact level of the stakeholders to corporate strategy development. It is the reverse, in the sense, that it's the stakeholders who support the corporate strategies for NHL.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings where the main objectives were to identify the corporate strategy development processes of the Nakumatt Holdings Limited and challenges that affect the process. Discussion and conclusions based on the study findings are also discussed in this chapter. Finally, suggestions for further research and recommendations are discussed.

5.2 Summary

The primary objective of this study was to identify the corporate strategy development processes of the NHL, from the research findings, it was established that the corporate strategy development processes at NHL is formal and all inclusive. Directors together with senior management team and with the inputs or views of other staff members and business partners formulate the corporate strategies. Then the board of directors has to meet and approve the corporate strategies developed. A strategic leader, the study established that he plays a critical role on the entire process. The process is carried out with emphasis on the vision and mission of the organization while taking into account the market requirements (especially customer requirements) and expectations. IT superiority in Nakumatt business plays an important role in the entire process. Upgrades and acquisition of new technology enhances corporate strategy development processes.

Key factors considered in the process include level of infrastructural development, organizational goals, stakeholders and suppliers inputs, benchmarking with the best practices of the world leading superstores (Tesco, Wal-mart), and staff training. Strategy development in the organization helps the business managers to identify critical tasks that need to be performed and consequently help in defining the organizations strategic directions.

The continuous process of corporate strategy development at Nakumatt is evidenced by the introduction of shop 'n' shop concept, 24 hours shopping concept and bio degradable plastic packages as well as the re-usable shopping bags. It reflects the consistent environmental scanning that takes advantage of opportunities and converts threats into competitive edge in the competitive market.

The second objective was to determine the challenges NHL faces as it develops her corporate strategies. According to the respondents, it was established that the main challenges where the level of infrastructural development in the country, environmental turbulences, and lack of the right skill at the right time. However, Nakumatt has a strong support from the business partners/suppliers in the corporate strategy development processes and has no major organizational politics which impact negatively to the process.

5.3 Conclusion

The findings of this research have unearthed a number of realities regarding Nakumatt Holdings limited strategy development and the challenges it faces as it develops her corporate strategies in general. Generally, the company is largely organized around its core business where a lot of flexibility is exhibited and inter-departmental/ business partners' (strategic business units) collaborations are providing a health environment for the company to come up with effective corporate strategies, which have seen the company to grow tremendously and achieve sustainable competitive advantage. The company has been able to attain this position because it has been able to understand the forces driving competition in the retail/supermarket industry through a thorough analysis of the environment, and unmatched elaborate customer service program. All these programs have enabled the company to craft appropriate corporate strategies and implement them with high degrees of success.

5.4 Suggestions for further research

With regard to further research, it is suggested that a study be carried out to identify corporate strategy development processes within the entire retail sector – supermarket in order to get a better understanding of the practices within this particular industry.

It is also suggested that interested future scholars to look at the corporate strategy formulation processes for NHL especially after it goes public (Post IPO era) in the next few years. This will be interesting, since this study was carried under private company status.

Further research should also focus on the strategy implementation and control at Nakumatt Holdings Limited. This study restricted to the one aspect of strategic planning (corporate strategy formulation). Other aspects of implementation and control need to be examined.

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APPENDIX 1: INTERVIEW GUIDE FOR NAKUMATT DIRECTORS

(CEO, Operations Director, IT Director)

1. For how long have you been the director of Nakumatt?

___

2. What is Nakumatt's vision?

___

3. How was it formulated / conceived?

___

4. Has Nakumatt's vision changed during your administration?

___

5. If the answer to question 3 above is yes, what was it before?

___

6. What necessitated the changing of the vision?

___

7. What is Nakumatt's Mission Statement?

___

8. Has the Mission Statement changed during your Administration?

___

9. If yes, what was it before?

____

10. What necessitated the change?

11. How was it conceived?

____

12. What are the goals and objectives of Nakumatt Holdings?

13. How would you describe your business environment

Very Stable ☐ Fairly turbulent ☐

Fairly Stable ☐ Very turbulent ☐

14. How does your organization develop strategies?

Formal ☐ Informal ☐

Others (specify)____

15. Does Nakumatt have a strategic plan?

Yes ☐ No ☐

16. If yes, what is the lifespan of the current strategic plan?

____

17. How is your Corporate Strategic plan related to your Business Partners (business units)

____

18. Who is involved in your Corporate Strategy develo0pment in your organization?

Board of Directors ☐ The CEO and Senior Management ☐

Selected persons ☐ Any other Specify ____________________

19. Do you have criteria for determining who should develop Corporate Strategy in Nakumatt?

Yes ☐ No ☐

20. If yes, briefly explain

____

21. How do the following factors, if any affect your strategy development processes?

a. Existing Competitors ____________________

b. New Competitors ____________________

c. Organizational Culture ____________________

d. Business environment ____________________

e. Available resources ____________________

f. Suppliers ______________________

g. Business Partners (Bus Units) ______________________

h. Organizational Goals ______________________

i. Government Policies ______________________

20. How is corporate strategy communicated in your organization

Top – bottom ☐ Bottom - up ☐

Others (specify)______________________

21. Comment on your corporate strategy development process success

____

22. Does your organization have a strategic leader

Yes ☐ No ☐

23. If yes, kindly highlight his/her responsibilities

____

24. What challenges do you face as you develop corporate strategies?

____

Thank you very much for taking your time to complete this questionnaire.

APPENDIX 2: INTERVIEW GUIDE FOR NAKUMATT HEADS OF DEPARTMENTS AND BUSINESS UNITS

1. Which department / business unit do you head?

   ____

2. Does your department / business unit have a strategic plan?

   ____

3. How was it developed?

   ____

4. Who was responsible for its development?

   ____

5. How is your strategic plan at business level/departmental level related to the overall Company Strategic plain?

   ____

6. What was your role in the overall company strategic plan development process?

   ____

7. What Factors do you consider to have affected the development of your business strategic plan?

8. How can you deal with the above factors in the entire process?

9. Do you have a strategic leader in your organization?

10. How is his/her influence in both the overall company strategy development as well as departmental business plans?

11. How often do you revise your overall company strategic plan/ departmental or business plan?

12. What factors influence the revision of the above (11)?

13. Any other comments on the corporate strategy development process in Nakumatt?

Thank you very much for taking your time to complete this questionnaire.

APPENDIX 3: LETTER OF INTRODUCTION TO INTERVIEWEES

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone 020-2059162
Telegrams "Varsity", Nairobi
Telex 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 25th September 2008

TO WHOM IT MAY CONCERN

The bearer of this letter PETER MUNYAO KILLU

Registration No. D61/P/8349/2004

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

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

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

Thank you.

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MBA OFFICE
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DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM