RESPONSE STRATEGIES TO EXTERNAL ENVIRONMENT: A CASE STUDY OF POSTAL CORPORATION OF KENYA (PCK) / J

BY

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DECLARATION

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

Sign: ……………… Date:

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D/61/P/8103/02

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

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DEDICATION

This research is dedicated to my father and mother who inspired and supported me in different ways throughout the MBA program

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ABBREVIATIONS

ILO	-	International Labour Organization
PCK	-	Postal Corporation of Kenya
WTO	-	World Trade Organization
CEO	-	Chief Executive Officer
R&D	-	Research and Development
JIT	-	Just in Time
SWOT	-	Strengths, Weaknesses, Opportunities, Threats
SACCOS	-	Savings and Credit Co-operative Organizations
SMS	-	Short Message Service

ABSTRACT

In every country around the globe, postal services make up an essential part of the social and economic fabric. Certainly, on the economic side, postal services must employ all their skills to make their products and services attractive to their large business customers. These large mailers provide the essential volumes that help postal services maintain their extensive distribution network. But at the same time, postal services fulfill the human needs of individuals. Organizations in Kenya whether profit or not for profit have had to change their structure, design, culture, and general management orientation in order to remain competitive in the wake of the government implementation of policies leading to economic liberalization. This study was designed to determine the strategies used by Postal Corporation of Kenya to respond to the external environment.

A case study approach was used to collect the data. Primary data was collected from key informants that have been directly involved in change management at PCK using an interview guide. They were interviewed and the resultant data analysed using content analysis method.

The study found that in order to counter the changes in its external environment, PCK adopted several strategies such as market penetration, product differentiation and product diversification. It is recommended that for the company to cope up with high competition in the industry, it needs to be more innovative and the leader in the market. It also recommended that a study be carried out to establish the relationship between strategies used and performance of public corporations in Kenya so as to ascertain the need for effective strategic management in the public sector.

CHAPTER 1: INTRODUCTION

1.1 Background

The postal and telecommunications services have historically played a very important role in strengthening national cohesion. In all countries they continue to be a driving force of social and economic development. The 1997 ILO report on this sector pointed out: "the post — with its thousands of post offices and delivery rounds throughout the world -- plays a not inconsiderable role in society and even in national and regional development; awareness of this seems to have put a stop to the tendency that once existed to cut down on postal establishments." According to Koigi (2002), Telecommunications are a key element in economic development since they represent an essential infrastructure which is likely to significantly increase productivity and efficiency in agriculture, industry and in services. For this reason this sector is today considered a priority one in many developing or transition countries.

The new technologies, such as mobile telephones or the Internet, offer perspectives for development which were not conceivable a few years ago. Structural and regulatory changes occurring in the developing countries take account of the opportunities for catching up with the more developed countries, thanks to these new technologies and the outlook for external growth for international investors (Koigi, 2002). The major operators present on saturated domestic markets, which have large financial and technical resources, tend to invest in countries where supply is insufficient or where the outlook for profits is considered attractive.

In every country around the globe, postal services make up an essential part of the social and economic fabric. Certainly, on the economic side, postal services must employ all their skills to make their products and services attractive to their large business customers. These large mailers provide the essential volumes that help postal services maintain their extensive distribution network. But at the same time, postal services fulfill the human needs of individuals.

It is upon this background of the major benefits of the communication sector and the myriad of changes facing the sector, that this study is formulated to study the responses that Postal Corporation of Kenya makes when dealing with today's uncertain environment.

1.1.1 Response Strategies

Ansoff and McDonnell (1990) noted that strategic responses involve changes in the firm's strategic behaviors to assure success in transforming future environment. Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Therefore it is a reaction to what is happening in the economic environment of organizations. Porter (1998) views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy

Pearce and Robinson (2000) says that there is need to adopt new strategies that match the challenges from the environment. Re engineering, downsizing, self-management and outsourcing are some of the dominant strategies that have been used for restructuring in the 1990's. Ansoff and McDonnell (1990) asserts that the management system used by a firm is a determining component of the firm's responsiveness to environment changes because it determines the way that management perceives the environment, diagnosis their impact on the firm, decides what to do and implements the decisions.

1.1.2 External Environment

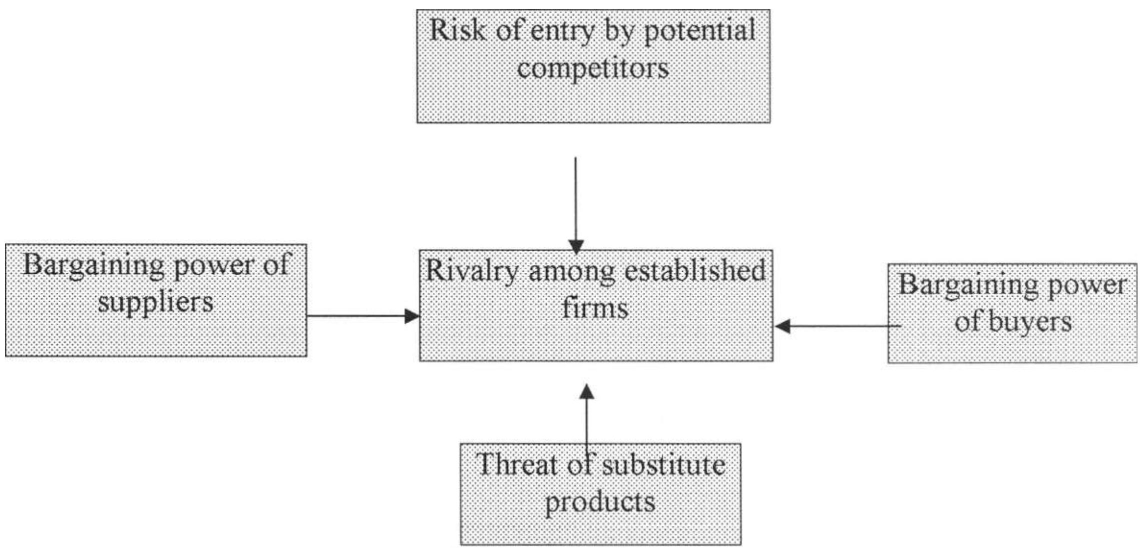
The external environment is everything outside an organization that might affect it. It is the non-specific dimensions and forces in its surroundings that might affect its activities. The strategic Management Model of Pearce and Robinson (2000) shows the external environment as consisting the remote, industry and operating environments. The general environment consists of: The economic dimension, inflation, interest rates, unemployment, and demand; the technological dimension refers to the methods available for converting resources into products or services; the socio-cultural dimension refers to morals, customs, values, and demographic characteristics of the society in which the organization functions; the political-legal dimension refers to government regulation of business and the relationship between business and government; the international dimension refers to the extent to which an organization is involved in or affected by business in other countries; the task environment consists of specific organizations or groups that are likely to influence an organization.

The task or operating environments consist of the following actors: Competitors: These are other organizations that compete for resources. Customers: These are whoever pays money to acquire an organization's product or service. Suppliers: These are organizations that provide resources for other organizations. Regulators: These are units in the task environment that have the potential to control, regulate, or influence an organization's policies and practices.

Regulatory: These agencies are created by the government to protect the public from certain business practices or to protect organizations from one another. Interest groups: These are groups organized by their members to attempt to influence organizations.

A number of models exist that can help managers in analyzing the external environment. Porter's framework known as the five forces model (figure 1.1 below) focuses on five forces that shape competition within an industry.

Figure 1.1. The five forces model



Source: Porter, Micheal E: Competitive strategy, 1980:4

Such models provide a framework to identify external opportunities and threats. Opportunities arise when an organization can take advantage of conditions in its external environment to formulate and implement strategies that enable it to improve performance

Threats arise when conditions in the external environment endanger the integrity of the organization's activities. In conducting an external environmental scan, the farm business manager also must assess various industry forces. Michael Porter (1980) contends that there are five forces that should be accounted for in conducting an external environment industry analysis. "The collective strength of these forces," he contends, "determines the ultimate profit potential in the industry, where profit potential is measured in terms of long-run return on invested capital. The five forces include: new entrants, substitute products, bargaining power of suppliers, bargaining power of buyers, rivalry among existing firms (Porter, 1980).

According to Hill, C.W.L and Gareth Jones (2001), substitute products are the products of industries that serve similar consumer needs as the industry being analyzed. For example, companies in the coffee industry compete indirectly with those in the tea and soft -Drink industry. All three industries serve consumer needs for Drinks. The prices that companies in the coffee industry can charge are limited by the existence of substitutes such as tea and soft drinks. If the price of coffee rises too much relative to that of Tea or soft drinks, then coffee drinkers will switch from coffee to those substitutes.

Bargaining power of suppliers affects their ability to raise prices. Suppliers are likely to be powerful if they are few in number, each individual farmer purchase represents only a small amount of the companies' sales, there are not good substitutes of the product purchased, and the product or service is unique. (Porter, 1980)

Since the introduction of this five forces model for industry analysis, others have suggested that a sixth force should be included. This is force of other stakeholders. These stakeholders include federal, state, and local governmental units. These units of government can impose various limits on the actions that businesses can take.

Knowledge of these underlying sources of competitive pressures highlights the critical strengths and weaknesses of the company animates its positioning in the industry, clarifies areas where strategic change may yield the greatest pay off and highlights the areas where industry trends promise to hold the greatest significance as either opportunity or threats, Kirinya (2006).

1.1.3 Postal Corporation of Kenya

The Postal Corporation of Kenya is a wholly state owned enterprise created by an Act of Parliament in 1998 to provide postal, financial and distribution services as a public postal licensee. Since inception in 1999, PCK is the only entity charged with the provision of universal service obligations in fulfillment of United Nations declaration on the right to basic communications services as a human right. In line with Government goals in the liberalization of the communications sector, the Communications Act of 1998 marked a major milestone in the development of the sector. It led to the split of the then giant Kenya Posts and Telecommunications Corporation into three entities separately responsible for Postal and telecommunications development, as well as regulatory functions. These are PCK, Telkom Kenya Limited and the Communications Commission of Kenya. Except for a few reserved areas including provision of letter boxes and production of postage stamps, the postal sub-sector is open to full competition.

This is particularly evident in the courier and financial services portfolios. (www.posta.co.ke, 2007)

Previously renowned for provision of Mail services, Ordinary and Telegraphic Money Order remittance service, PCK has over the years moved to diversify its services and products as demanded by the ever changing customer. Today, PCK offers a wide range of electronic based money transfer services, Bureaus and Agency services, and customized courier services using modern Track- and-Trace Systems.

In 2003, the Corporation initiated a major restructuring exercise to transform the organization through scanning the business environment and implementing strategies that would make it respond appropriately to market dynamics. The key initiatives are captured in the Corporate Strategic Plan. (Corporate strategic plan 2003-2007)

PCK is steered by a Board of Directors appointed by the Government of Kenya as the sole shareholder. Under the leadership of a chairman, also appointed by the Government, the board is charged with the responsibility of strategically guiding the entity. On the management side, the organization is headed by a Chief Executive Officer under the title Postmaster General. He reports to the board. The key departments of PCK are Operations, Sales and Marketing, Strategy and Ywsvce, Legal, Human Resource Development, and Information Technology.

However, in view of the rapid changes in the communications sector, the board and management of PCK are continuously reviewing strategy to give better focus on the corporation's major revenue drivers that revolve around the following areas: Financial, courier and mail services, information technology, logistics and facilitates management finance and strategy and human resource development, Posta update (issue No.4, 2007).

1.2 Statement of the Problem

Organizations in Kenya whether profit or not for profit have had to change their structure, design, culture, and general management orientation in order to remain competitive in the wake of the government implementation of policies leading to economic liberalization.

Several studies have been carried out in Kenya before, addressing the aspects of Kenyan firms and economic liberalization. Related studies have also been carried out investigating firms' responses to the changing environment in Kenya. Such studies include: Oyoo (2000) on financial performance of SACCOs, Owiye (1999) on sugar industry, Yatich (2001) on Telkom Kenya, Kombo (1997) on motor industry franchise holders. These studies found out that most organizations do not have clear strategic response strategies to deal with environmental changes in Kenya. Similarly, the last few years have seen an unprecedented spate of structural changes in Postal Corporation of Kenya. The changes were systematically implemented with a few objectives as the guiding principle, all aimed at a turn around for PCK. A change management approach through a new organizational structure was made by top management based on a new corporate vision and mission. 6 Since 2003 structural changes have taken a variety of forms, among them creation of a lean structure resulting from restructuring and retrenchment.

With the liberalization of the Kenya's communication sector, the unfolding competitive environment necessitates the need for PCK to change by adopting generic competitive strategies that confer greater competitive advantages. These changes mainly include the recent developments in the mobile phone industry whereby the number of players has increased, with the entrance of Econet Wireless, from two to three.

In addition, technological advancements in the telecommunication industry in Kenya has increased competition particularly in areas of product portfolio. A good example is the money transfer service offered by Safaricom. Entry of former passenger carriers like Akamba, Coast bus and a myriad of new courier companies and the popularity of short message service (SMS) and the e-mail have all directly affected PCK's market share. However, the literature cited above indicates that there has been no study focusing on the strategies adopted in response to external environment changes influencing PCK. All these challenges therefore, call for response strategies to ensure survival and competitiveness. In the light of the above dynamics, it would be important to find out what response strategies PCK has adopted to be competitive.

1.3 Research Objective

The objective of this study is to determine response strategies to changes in the external environment adopted by the Postal Corporation of Kenya.

1.4 Importance of the Study

The study will be of importance to the following groups:

Policy Makers

It will assist policy makers when making policies regarding the communication sector in Kenya.

Management of PCK

"We. s\.\jdy will provide the management of PCK with an appreciation of the external environmental factors and their effect on the organization. It is also hoped that the study will provide to them means of responding to the external environment.

Academicians

The study will provide academicians with a basis upon which further studies on change management could be done.

CHAPTER 2: LITERATURE REVIEW

2.1 Concept of Strategy

As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. According to Schendel and Hofer (1979), Organizations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment.

Pearce and Robinson (1991) urgues that the organization has to respond to the Wo\i\erice by crafting new strategies that they define as a large- scale, future - oriented plans for interacting with the environment. The study of strategic management therefore, emphasizes on monitoring and evaluation of external opportunities and threats in light of corporation's strengths and weaknesses. This statement emphasizes that the environment is constantly changing and so it is imperative that an organization should constantly adapt its activities to reflect the new environmental requirement. Having a strategy enables you to ensure the *day-to-day* decisions fit in with the long-term interest of an organization. Without a strategy, decisions made today would have a negative impact on future results (Bruce and Langdon, 2000).

The major task of managers is to ensure survival of the companies they manage. In order to achieve success, the companies have to adequately adjust to meet environmental challenges. Failure to do this will cause the companies to experience a big strategic problem. Therefore strategy is a tool which offers significant help that enable the firm cope with turbulent environment facing the firms (Johnson and Scholes, 2002).

This problem arises out of the mismatch between the output of the company and the demand in the market place. Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa 1998). Strategy is the tool which offers help for coping with the turbulence confronted by the business firms. Strategy requires to be taken seriously as a managerial tool, not only for the firm but also for a broad spectrum of social organizations (Ansoff and McDonnell, 1990).

From the concept of strategy comes the aspect of strategic management, which can be defined as a set of decisions, and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of an organization (Pearce and Robinson, 1999). It involves the management of the strategies in order that they may deliver the intended results. Thus, the formulation and implementation of strategies for the organization are core management functions and top management must be involved. Strategy formulation is however an intricate task for the organization's top management must be involved. On the role of Chief Executive Officer, Aosa (1999) emphasized that it is the CEO who should be in charge of the whole process and ultimately accountable for the results for the organization. Adegbite (1986), however, found out in a study of companies quoted in the Nigerian Stock Exchange that the final responsibility for setting corporate objectives lay with the board although the ground work was in most cases done by the CEO.

Strategy formulation involves long-term decisions and is an important management tool. Diverse authors acknowledge these two factors. Johnson and Scholes (2002) defined strategy as the "direction and scope of an organization overt the long term", which achieve advantage for the organization through its configuration of resources which a changing environment, and to fulfill stakeholders expectations. Strategy is a unifying comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.

Hamel (2000) argues that the best strategy is geared towards radical change and creating a new vision of the future in which you are a leader rather than a follower of trends set by others. It's all about winning. He further states that it's about winning strategy = foresight + vision. Strategy therefore is concerned with the survival of the organization in the long term in the face of changing environmental conditions and situation. It is in essence a tool for guiding the organization forward and providing a framework through which it will operate. John Kay (2000) argues that strategy is no longer about planning or visioning because we are deluded if we think we can predict or worse control the future. It is about using careful analysis to understand and influence a company's position in the market place.

As Thompson and Strickland (2003) says, organizations depend on the environment for their survival and therefore it is necessary for them to scan the environment in an effort to identify changing trends and conditions that could eventually affect the industry and adopt to them. According to Vels (1999), Trade liberalization has led to stiff competition in many sectors of the economy and has resulted to firms changing their activities in order to survive. In an environment that is dynamic, the firm finds it necessary not only to be focused but also to be flexible and adaptive. They are forced to adopt more market driven strategic approached.

The essence of strategy is to relate the organization to the changes in the environment (Ansoff, 1990). Organizations therefore have to respond to relevant strategies that match the changed environment. Failure to respond may lead to organizational decline or obsolescent. Strategy implementation has to be supported by resources and competencies of the organization. This make up the strategic capability. Just as there are outside influences on the organization and its choice of strategies, so there are internal influences. These comprises of the organization's strengths and weaknesses (Johnson and Scholes, 2002). Thomson, (1994) emphasizes on the internal processes that he says can add value to an organization.

Porter (1998) also emphasizes on the importance of internal capability by pointing out that companies must be flexible to respond rapidly to competitive and market changes. They must nurture a few competencies in the race to stay ahead of the competition.

2.2 Response Strategies

According to Chwelos (2001), external pressures, perceived benefits, and readiness are significant predictors of intent to adopt response strategies by organizations, with external pressures and readiness being considerably more important than perceived benefits. Numerous organizations have adopted response strategies since market complexity and turbulence have increased drastically in their external environment. For instance, some organizations have chosen the strategy of the so-called international expansion (Zheng, 2002), some have chosen acquisition strategy and strategic alliance (Pan and Hu, 2002), while others have considered stock listing and/or an increase in IT investment.

Burnes (1998) the concern in real time responses is to minimize the sum to total losses and restore profitability to ensure organization's success in a turbulent and surprising environment. He also observed that unstable and unpredictable conditions in which organizations have to operate today means that the ability to think strategically and manage strategic change successfully is key competitive strength for a sustainable competitive advantage. Real time strategic issue responses are necessary to facilitate the firm's preparedness in handling the impending issue, which may have profound impact on the firm.

Every organization has to develop strategies that will enable it fit within the environment it operates in. This is necessary because the environment is dynamic, multi-faceted and complex; as a result of which organizations have to plan how to respond to the challenges posed by it. An organization can either plan on how to cope with the many changes brought about by the environment or handle them as they emerge. In view of the foregoing, strategies to be adopted within any industry should reflect and underscore the macroeconomic, social, political events in Kenya as well as the increasing pressure of globalization, liberalization and fair trade practices as advocated by the world trade organization (WTO), and policies within and outside the sector in determining its key elements.

Thus, Postal Corporation of Kenya is bound to engage the various strategies purported by researchers (in order to realize an effective and efficient service delivery). In order to maintain their market position and market share in the industry. Hill and Jones (2001), states that by planning, an organization is able to identify the problems and plan how to solve them by using appropriate strategies. In the strategic decision making process of organizations, there are three levels of strategy under the strategic responses: - that is, corporate -level strategy, Business -level strategy, and operational - level strategy.

A competitive action is defined as a specific and visible initiative taken by a company (such us the introduction of a new product or a price reduction) in order to improve or defend its competitive position. In the same way, a response is defined as a counteractive, specific and detectable initiative, caused by the initial action, carried out by a company to defend, or improve, its market share (Chen and MacMillan, 1992; Chen et *al,* 1992; Porter, 1980). Companies have different characteristics, resources and capabilities, which affect their credibility in the marketplace and, hence, how other companies perceive their actions. Two characteristics of the initiating company are of special relevance: relative size and position in the marketplace.

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.

Thus, even business which have by all accounts have been successful in their simple chosen market must recognize in time to take appropriate action that sooner or later their continued expansion and perhaps profitability will be dependant upon moving into new market area. The most frequent reason for diversification in the part of individual business is the achievement of growth and risk reduction. With regards to growth, any firm that attempts to expand within an industry immediately faces two limitations: The rate of growth of the market its self and reactions of its market competitors. Any business seeking to achieve a growth rate about the aggregate rate of expansion of the market which it is currently confined is implicitly or explicitly envisaging an increase in its market share.

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". Hill and Jones (1999), states that, strategic choice is a process of choosing among the alternatives generated by a SWOT analysis. The strategic alternatives generated can encompass business level, function level and global strategy. According to Thompson and Strickland (2001), Business-level responses - refers to plans of action the strategy manager adapt for using a company's resources and distinctive competences to gain a competitive advantage over it's rival in the market or industry. Companies therefore pursue a business level strategy to gain a competitive advantage that allows them to out perform rivals and achieve above average returns.

Another level of strategy is at the operating end of the organization, concern with how component part of the organization delivers effectively the corporate and business level strategies in terms of resources, processes and people. Thus operational strategy looks at how corporate/business level strategies can be translated into concrete operational functions and processes in areas like marketing, research and development (R&D), manufacturing, personnel and finances. Strategic management is therefore wide and complementary. Other types of management are like operations management and financial management, which are basically in the operational level of the organization. They focus on the short-term and aim at achieving efficiency in the use of resources and maximizing the returns for the stakeholders in the organization (Hill and Jones, 1999).

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 company wide efficiency, quality innovation, and customer responsiveness goals.

According to Johnson and Scholes (2002), new flexible manufacturing technologies hold out the promise of allowing small manufacturers to produce at unit costs comparable to those of large assembly line operations. Flexible manufacturing technologies allow the company to produce a wider variety of end products at a unit cost that at one time could be achieved only through the mass production of a standardized output. According to Hill and Jones (1999), recent research suggest that the adoption of flexible manufacturing technologies may actually increase efficiency and lower unit costs relative to what can be achieved by the mass production of a standardized output, while at the same time enable the company to customize its product offering to a greater extent than was once thought possible.

Hill and Jones (1999), state that material management encompasses the activities necessary to get material to a production facility (including the cost of purchasing material inputs), through the production process, and out through a distribution system to the end user. The potential for reducing costs through more efficient materials management is enormous. In the average manufacturing enterprise, the materials and transportation costs account for 50% to 70% of revenue. Even smaller reduction in these costs can have a substantial impact on profitability. Improving the efficiency of the materials management function typically requires the adoption of just-in-time (JIT) inventory systems. The basic philosophy behind JIT system is to economize inventory holding cost by having materials arrive at a manufacturing plant just in time to enter the production process; and not before. The major cost saving comes from increasing inventory turnover, which reduces inventory holding costs such as warehousing and storage costs (Johnson and Schones, 2002).

Hill and Jones (1999) noted that the role of superior research and development in helping company achieve greater efficiency is two fold; first, the R & D function can boost efficiency by designing products that are easy to manufacture. R & D function can help a company achieve greater efficiency through pioneering process innovation. A process innovation is an innovation in the way production processes that improves their efficiency. The process innovation has often been a major source of competitive advantage.

Johnson and Scholes (2002) emphasized that employee productivity is one of the key determinant of an enterprise's efficiency and cost structure. The more productive the employees, the lower will be unit cost. However, the challenge for a company's human resources function is to diverse ways to increase employee productivity. It has three main choices: training employees, organizing the work force into self-managing teams, and linking pay to performance. According to Hill and Jones (1999), self-managing teams are relatively recent phenomenon. Few companies used them until the mid 1980's. But since then they have spread rapidly.

With the introduction of flexible manufacturing cells which group workers into teams, the growth has undoubtedly facilitated the spread of self-managing teams among manufacturing enterprises. The typical team comprises five to fifteen employees who produce an entire product or undertakes an entire task. Teams' members learn all team tasks and rotate from job to job. A more flexible work force is one result. Team members can fill in for absent co-workers. Teams also take over managerial duties such as work and vocation scheduling, ordering materials and hiring new members. The greatest responsibility thrust on teams members and empowerment it implies is seen as motivators. Performance bonuses linked to team production and quality targets works as an additional motivator (Johnson and Scholes, 2002).

According to Hill and Jones (1999), people work for money, therefore it is hardly surprising that linking pay to performance can help to increase employee productivity. However, if the issue is not quite so simple as just introducing incentive pay systems; it is also important to define what kind of performance is to be rewarded and how some of the most efficient companies in the world, mindful of that co-operation among employees is necessary to realize productivity gains, do not link pay to individual performance. Instead they link pay to group or team performance. This link creates a strong incentive for individuals to co-operate with each other in pursuing of team goals; hence, it facilitates teams work.

According to (Johnson and Scholes2002), the infrastructure sets the context within which all other values creation activities take place. It therefore follows that the infrastructure can help in achieving efficiency goals. Above all the commitment to efficiency and promote corporation among different functions in pursuit of efficiency goals. Hex and Mali (1996), states that the primary role that various functions must be take account in order to achieve superior efficiency, which is not something that can be tackled on a function by function basis, but requires an organization wide commitment and an ability to ensure close co-operation among functions. Top management, by exercising leadership and influencing the infrastructure plays a major role in this process.

There are various steps that a company can take to boost the efficiency and thus lower their unit costs. However, much emphasis is on achieving superior quality which plays a major role in achieving superior efficiency. The action that the organization takes to attain superior efficiency, quality, innovation and customer innovation and customer responsiveness are as follows:

According to Hex and Mali (1996) organizational structure and administrative systems constitutes managerial infrastructure of a firm. An effective managerial infrastructure is critical for the successful implementation strategies of the firm. Its ultimate objective is the development of corporate value, managerial capability, organizational responsibility and managerial processes to create a self-sustaining set of rules that allows decentralization of activities of the firm. The term organizational architecture is commonly used to designate the design efforts that produce an alignment between the environment, the organizational responses, the culture of the firm and the strategy.

2.3 Environment

Today's organizations have to deal with dynamic and uncertain environments. In order to be successful, organizations must be strategically aware. They must understand how changes in their competitive environment are unfolding. They should actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business, building on awareness and understanding of current strategies and successes. Organizations must be able to act quickly in response to opportunities and barriers. The environment faced by an organization can be categorized into: The external environment which comprises everything outside an organization that might affect it. It is the non-specific dimensions and forces in its surroundings that might affect its activities and, the internal environment which consists of conditions and forces within the organization.

Several authors have discussed the increasing complexity and velocity of change in organizational environments. Among these authors, DAveni (1994) classified organizational environments as hypercompetitive, and Eisenhardt (1989) described the environments as changing at high velocity. Despite contradicting evidence (McNamara, 2003), it is generally accepted that competition is now more complex and unfolds at a faster pace than it has in the recent past. Under this approach, managers view time itself as a source of competitive advantage and adopt practices such as "competing against time" (Stalk and Hout, 1990) or "just in time" management systems (Deming, 1986). As a result, the combination of technological possibilities with managerial agency, led to the acceleration of the rate of change, transforming "speed" in a major feature of contemporary business landscapes.

Organizations need to transform vigilance into competitive moves. In other words, they need to be speedy. As such, organizations designed for efficiency according to machine-like metaphors (Shenhav, 1999), may quickly become no longer adapted to the environment. Under a complexity approach, simplicity is a major feature of new organizational forms (Child and McGrath, 2001). This simplicity materializes into local simple structures that regulate without constraining. These simple structures offer the organization the coordination mechanisms necessary to assure a common purpose, without leading to the inertia that this level of integration entails (Meyer, 1982). They allow the requisite amount of efficiency, but are not so efficiency-oriented that effectiveness may be jeopardized. Simple structures, in short, care about the organization's "evolvability" (Rindova and Kotha, 2001). To maintain intact their ability to evolve, organizations competing with complexity strategies create designs that allow for "continuous morphing" (Rindova and Kotha, 2001), with change being the result of adaptations in terms of structures, processes and competences. No less important, change is generated in multiple parts of the organization, with strategic shifts being introduced, in some cases, without the explicit participation of top executives (Burgelman, 1996). Structural simplicity facilitates capacity of response because it invites and allows people to tackle problems at the local level.

Empowered employees may respond quicker to challenges simply because they have not to wait for others (and for orders) to take action (Wall, 2004). Faster response, in turn, may be critical to grab unexpected opportunities and to neutralize competitive threats within the available time span. In rapid environments, where competitive advantage may be eroded by faster competitors, structural simplicity facilitates rapid action.

The idea of organizational environments as generators of novelty through interaction, competitive rivalry and creative destruction, can be found in all economics and complexity theory (Kirzner, 1993; Roberts and Eisenhardt, 2003).

The difference is that complexity theory places competitive environments at the edge of chaos (Kauffman, 1995), achieving a synthesis between preserving structure and buffering (Thompson, 1967), while responding to surprises. Contrary to the predictions of classical economics, they may not tend towards equilibrium. Indeed, they may never pass through the same state more than once (Levy, 1994), which explains why surprise and discontinuity are pervasive features of complex systems, not exogenous factors that can be strategized away. In surprising environments, organizations need to rapidly adapt to unexpected conditions. They need to take action voluntarily, but unexpectedly, with the available - not the optimal - resources. In other words, they have to improvise, conferring a strategic nature to improvisation (Perry, 1991). The accumulation of these improvisations may change the organization in some fundamental aspects - as Intel's case illustrates (Burgelman, 1996).

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

This is a case study where the unit of study was the Postal Corporation of Kenya (PCK). Case studies are focused and give valuable insights to phenomena that may otherwise be vaguely known or understood, and supplementary information was collected in the course of the interview.

3.2 Data Collection

The study used primary data. Data was collected from key informants who were directly involved in change management at PCK. They comprised of General Manager in charge of strategy and financial services, General Manager in charge of Logistics and Facilities Management, General Manager in charge of Information and Technology, Head of Marketing, General Manager in charge of Research and Development, and the Regional Manager, Nairobi. The change management team identified above was interviewed using a structured interview guide (see appendix 1). The interview was conducted by the Researcher personally.

3.3 Data Analysis

Content analysis was used,considering the nature of data. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate to trends. This approach has been used previously in similar research projects such as Koigi (2002).

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the research. The analysis was based on the objectives of the study. The study was designed to determine the strategic responses to external environment adopted by Postal Corporation of Kenya.

4.2 Sample Characteristics

The respondents comprised of senior managers such as General Manager,Head of Departments and Regional Managers. Most of the respondents (66.7%) had been working for Postal Corporation of Kenya for a period of over 3 years. The study also established that 16.7 percent of the respondents had been working for Postal Corporation of Kenya for a period of between 1 and 2 years while the rest of the respondents (16.7%) had been in the organisation for less than a year. This is shown in Table 1. Thus, it can be said that majority of the respondents are well versed with response strategies to changes in the external environment adopted by the Postal Corporation of Kenya given their duration of stay.

Table 1: Duration of Stay in PCK

Duration	Frequency	Percent
Over 3 years	4	66.7
Between 1-2 years	1	16.7
Less than 1 year	1	16.7
Total	**6**	**100.0**

4.3 Competition

The study established that the major competitors for the Postal Corporation of Kenya are bus companies (such as Coast Bus, Easy Coach and Akamba), courier companies (such as Securicor, DHL, and Our World Courier), commercial banks (for instance Equity Bank, KCB), Safaricom, Mpesa, Celtel's Sokotele, email and SMS services. The bus companies and the courier companies compete with the company in terms of ferrying cargo and parcels to various destinations in and outside the country. The banks and the communication companies such as Safaricom and Celtel compete with the company in terms of transfer of money to various clients across the country. With the introduction of mobile technology, transfer of money has been made very efficient and people have preferred to use M-Pesa or Sokotele to the use of PCK's money transfer services. This is because the other alternatives have been less costly and very efficient.

4.4 Major Changes in the PCK Environment

The study found that major changes had occurred since mid 90's,these were;

Table II: Major Changes in the PCK Environment

	Major changes	*change objective*	*challenges*
1	Split of Kenya posts and telecommunications corporation	-to increase focus on two broad areas of business previously carried out by one corporation	-sharing of assets ^specially cash and property -embracing the paradigm shift
2	Liberalization of courier business	-to expose the postal sector to competition	-embracing business culture -change of attitude towards customers
3	Obsolete technology	- to embrace new technology	-increase efficiency -high cost of investment in new technology -customer

	Major changes	change objective	challenges
			satisfaction - high recruitment and retraining costs -redeployment of telegraphists -adoption of modern technology
4	Stiff competition	-to remain relevant in courier industry	-enhanced demand for security,efficiency and reliability at all stages of service provision - new product development -product and service diversification -improved service penetration
5	government regulation	-to rationalize expenditure -to remove government subsidy to enhance revenue protection	-introduction of performance management appraisal system -staff retrenchment -retraining of staff

The split was meant to increase the focus on two broad areas that were being carried out by one firm before: postal services and telecommunications services. The company had realized that the two were very broad areas that could not be managed by one firm given that competition had also set its foot in the market with new firms coming up to deliver postal services while others coming up to offer communication services.

With the pressure pilling up from the World Bank and the other donors for the Government to liberalize its market, the introduction of free market economy saw increased competition in all sectors of the economy that were once a preserve of state corporations. The liberalization of telecommunication sector therefore was a significant change in the postal sector. The challenge was on how to share the assets, especially cash and property with the other parties especially after the split.

Another major change in the company was the cessation of the telegraphic money order. The objective was to embrace new technology in money transfer in the market but the challenge it posed was redeployment of telegraphists as some of them were rendered redundant. There was some resistance from the public some of whom demanded an immediate re-instatement.

The introduction of performance contracting in all state corporations was another major change that affected Postal Corporation of Kenya. There had been a culture, not only in Postal Corporation of Kenya, but also in most of the state corporations of poor service delivery. Previously some of the members of staff never reported to work and nothing was done to them. Thus, their productivity in the organization was very low. With the growing public dissatisfaction with service delivery in the public sector, the Government initiated performance contracts for all public employees.

Performance contracting was meant to hold the corporations and the employees accountable for their service delivery/productivity; this change has seen tremendous improvement in the way PCK delivers its services to the public. The corporation has also been involved in changing its previous poor image by re branding itself and changing the employee attitude through training and embracing private sector management techniques.

4.5 Implementation of the Change Process

From the study, the change process was implemented through competitive placement of staff, increased level of communication to staff particularly by having management groups from head quarters go round to communicate message about cost control and revenue protection at PCK.

The company also introduced Express Money Order using EMS. The Postal Corporation of Kenya ensures the efficiency of the service by providing all necessary resources to make it work. In the process of implementation, resistance was shown by the staff but the firm overcame this through change management seminars and counseling in order to show the employees of the importance of changes in the corporation.

4.6 Factors that Occasioned Change

These factors included the need to survive in the market, customer needs and expectations, liberalization, competition, change of government policy, obsolete telegraph equipment, and also facilitation of privatization of TKL and exposing PCK activities.

The researcher found that the following factors precipitated change : need to remain competitive, threat from players in the industry, technological changes, threat from substitute products, government regulations and social cultural factors.

4.7 PCK's Response to the Changes

The researcher found that PCK established a fully fledged marketing department. This was mandated to check the market trends and seek and exploit any opportunities in the market. The company also brought in staff from outside

PCK at the management levels. These were mainly from the private sector and they came in with the experience to turn around the corporation.

The study further found that PCK used other strategies like product diversification. Here, they introduced new products such as Posta pay. Product differentiation strategy was also used (for instance EMS plus overnight) and market development strategy (for instance Posta pay international).

The study revealed that despite some resistance from a section of employees, most of the PCK employees have been supportive of the change process. Given that the management has been fully supportive of the same, the efforts to reform the corporation have been fruitful.

4.8 Strategies used by PCK to cope with changes in the external environment

From the study, the researcher found that PCK managed to cope with changes in external environment by increasing sales and marketing activities, increasing its fleet, using modernized computers, acquiring courier license, it has also coped with the external environment by embracing technology by introducing new products (technology driven) and product diversification.

The respondents felt that the responses used by PCK to manage change were successful. This is because the customer perception has changed and revenue has increased. The new services and products introduced have been well received by the public and this has been translating into better returns for the corporation.

On the degree of success, the majority of the respondents were of the view that the objective of the change was to maintain the company in the market but not to be a leader in the market or industry.

On the current external environment of PCK, the respondents felt that it was highly competitive on all the products because of increase of courier companies which costs the company a part of their market, technology has also affected the mail business e.g. SMS and use of MPESA which is cheaper, faster and more convenient.

On the lessons learnt from the external environmental changes, the respondents reported that the company must have the right responses to customers needs or else it becomes obsolete; they also recommended that the firm should identify its priorities and adhere to them all; that PCK needs to be more innovative so as to be at par with the competitors; and to aggressively market and sell their products so as to counter the high competition.

CHAPTER 5: SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This chapter gives the summary, conclusions and recommendations of the study. The study sought to determine the response strategies to changes in the external environment adopted by the Postal Corporation of Kenya to changes in the external environment.

In order to cope with these challenges, the corporation adopted some strategies such as increasing marketing activities so as to increase sales, increasing its fleet, using modernized computers in order to cope with the new technology, acquiring courier license. It has also coped with the external environment by embracing technology and by introducing new technology driven products, and product diversification.

CONCLUSION

The study concludes that the strategies used by PCK have been successful because they have maintained the company in the market although it is not the leader in the industry. The image of the corporation is strongly improving and the company is taking its rightful position in the market.

5.2 Recommendations

From the findings and conclusions, it is recommended that for the company to cope with high competition in the industry, it should be more innovative in order to counter the high competition and strive to be the leader in the market.

It is further recommended that PCK learns the customers and knows what they need and be able to respond to those needs as fast as possible so as to gain competitive advantage over its competitors. The researcher also recommends that the firm should market its products very aggressively so as to increase its market share and service penetration.

5.3 Areas for further Research

This study was able to establish strategies used by PCK to respond to changes in the external environment. Several studies have also been done on the response strategies in other companies. This study suggests that a survey should be done to establish the relationship between strategies used and the performance of public corporations in Kenya so as to ascertain the need for good strategic management in the public sector.

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APPENDICES

Appendix 1: Interview Guide

1. Position held in the organization

2. Number of years worked with Postal Corporation of Kenya.

a) Over 3 years ( )

b) Between 1-2 years ( )

c) Less than 1 year ( )

3. Major competitors for PCK

4. State major changes that have taken place in PCK since mid 90s and the objectives of the changes, challenges and your involvement in the change process.

5. How was the change process implemented? Did you face any resistance and if yes how was it overcome?

6. State the factors that occasioned the change.

7.State the extent to which the following factors precipitated the change.

	Large extent	Moderate extent	less extent	not at all
Need to remain competitive	( )	( )	( )	(
Threat from new players in the industry	( )	( )	( )	(
Threat from buyers	( )	( )	( )	
Threat from substitute products	( )	( )	( )	
Government Regulation	( )	( )	( )	
Technological changes	( )	( )	( )	
Social Cultural factors	( )	( )	( )	
Economic changes	( )	( )	( )	
Any other? Please specify				

8. What strategies did PCK use to respond to the above factors?

9. Has PCK staff been supportive of the change? Explain how PCK copes with changes in the external environment (such as changes in technology, increase in substitute products, increase in number of competitors, etc).

10. Are the responses used by PCK to change successful? (this should be tied to specific strategy/challenge.) What is the degree of success?

11. How would you describe the current external environment of PCK? Justify.

12. What lessons have you learned from external environmental changes and what response strategies would you recommend.