

**STRATEGIC RESPONSES TO CHANGING ENVIRONMENT BY KENYA
ELECTRICITY GENERATING COMPANY**

GEORGINA CHARLETTE ACHOLA

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DECLARATION

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

Signed.....

Date.....

**Georgina Charlette Achola
D61/79566/2015**

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

Signed.....

Date.....

Prof. Evans Aosa
Department of Business Administration
School of Business
University of Nairobi

DEDICATION

This work is dedicated to my loving daughter Kayla M. Muthama, for her never ending love despite the fact that I have had to be away from home most of the time in pursuit of my dream. I hope that this work will inspire her to work hard in pursuit of her career.

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I thank the Almighty God for his mercies which are new every day.

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ABBREVIATIONS AND ACRONYMS

ERC - Energy Regulatory Commission

MOEP - Ministry of Energy and Petroleum

REA - Rural Electrification Authority

GDC - Geothermal Development Company

KPLC - Kenya Power & Lighting Company Limited

KENGEN - Kenya Electricity Generating Company

KNEB - Kenya Nuclear Electricity Board

NOCK - National Oil Corporation

KPRL - Kenya Petroleum Refineries Ltd

KPC - Kenya Pipeline Company Ltd

SMEs – Small and Medium Enterprises

SACCO - Savings and Credit Co-Operative

IT – Information Technology

CEO – Chief Executive Officer

RBT – Resource Based Theory

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ABSTRACT

In recent years, organizations are operating in unpredictable environment. Coupled with technological advancement, globalization and dynamic changes, these have called on organizations to review their survival strategies. Every company must be willing and ready to modify its strategy in response to changing conditions, advancing technology, and the fresh moves of competitors. This study aimed to investigate strategic responses employed by Kenya Electricity Generating Company (KenGen) to the changing environment. The specific objectives were to identify the challenges faced by KenGen from the environmental changes in which it is operating and the strategic responses adopted by KenGen to the changing environment. This study employed the case study method. The researcher used primary data. An interview guide with open-ended questions was administered to 8 managers at KenGen as the respondents who included the human resource, business development, strategy and business performance, regulatory and corporate affairs, supply chain, operations, finance and ICT, company secretary and legal affairs. The qualitative data collected was analyzed using content analysis technique. The study found that KenGen has adopted a number of strategies which include rebranding, innovations and diversification. The findings indicated that challenges that face the company include low investment in the power sector by private investors, high cost of rural electrification, limited distribution capacity, limited capacity during peak demand, grid-system losses and weaknesses, limited reach in rural areas, vandalism, over-reliance on hydro power which constitutes about 70-80 per cent of the total electrical power forcing the company to do power rationing in times of drought, and also switching to alternative power generation which is very expensive. The study recommends that the management should look for alternative sources of funding in order to overcome the challenges of finance related to restructuring strategy, economic recession and liquidity and solvency.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations are operating in unpredictable environment in recent years. Business external environment encompasses of threat of new entrants, suppliers, buyers, product substitutes and the intensity of rivalry among rivals that directly impacts a firm and its competitive actions and responses (Johnson, 2009). Coupled with technological advancement, globalization and vibrant changes, these have called on organizations to review their survival strategies (Reginald, 2010). Organizations must make an impact assessment of the external environment, especially on relevant groups such as Customers, Competitors, Consumers, Suppliers, Creditors and the Government and how they impact on its operations if they want to remain vibrant and effective in the end. Accomplishment is reliant on productivity, customer satisfaction and competitor strength.

Strategic response has been grounded to open systems theory which refers simply to the concept that organizations are strongly influenced by their environment. The environment comprises of other organizations that exert various forces of an economic, political, or social nature. The environment also delivers key resources that sustain the organization and lead to change and survival (Wissema, 2005). Environment dependence theory argues that organization's environment encompasses every event in the world that may potentially have an effect on the organization's activities. The importance of resources and the extent to which an organization in dire need for resources can maintain itself. The resource-based theory explains that a firm draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the

environment. Alternatively, the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways.

Every business must be willing and ready to adjust its stratagem in response to changing conditions, advancing technology, and the fresh moves of rivals. The energy sector has in the recent past witnessed substantial changes in the operative business environment. Therefore, the sectors have to review their strategies and respond applicably to the changing macro-environment.

Kenya Electricity Generating Company like many other organizations, is constantly faced with the challenges of adapting to changes in environmental conditions. The population in Kenya continues to rise and innovation and globalization is also increasing as an effect of progression in innumerable sectors of the economy. The middle class continues to grow every year giving rise to rental homes which require reliable power (Wairegi, 2004). It is important to formulate and implement strategies that will counter such turbulence for the organization to survive (Karani, 2009). This requires undertaking Strategic Responses that will help the company to counter the environmental turmoil hence remain pertinent in the industry. Various strategies can be undertaken in the effort of aligning and realigning the organization's activities to such turbulence. As the business makes new inventions, it must constantly keep abreast of what other organizations are doing.

1.1.1 Strategic Response

According to Miller (2008), strategic response is a means of altering the structural vision, mission, objective and the adopted strategy to achieve those objectives however, according to Furrel, (2003), Strategic response is defined as a variance in

the form, eminence, or state over time in organization's configuration with its peripheral environment. Strategic management literature suggests that an efficacious firm's strategy must be favorably ranged with the external environment. The relations between business-level strategy and environment have been widely discussed in the extant literature.

Strategic responses help with the making of conclusions and actions meant to achieve business objectives and purposes (Zhang, 2009). Through strategic management, a firm is capable to position itself tactically to the environment they operate to ensure they remain in the market, competitive and safe from surprises brought about by the changing environment. Johnson (2010) referred strategy as a machinery of resources and activities of an organization to the environment in which it operates. To achieve this, positioning of the firm through strategy and competence planning, use of real time response, issue management and through developing effective management to implement strategies may be required.

1.1.2 Environmental Changes

A change or disturbance of the surroundings most often caused by human influences and natural ecological processes is known as environmental changes. Business environment change includes such factors as socio-economic, technological, supplier, competitor and the government. Environmental changes can include any number of things, including natural disasters, human interference, or animal interaction. There are two more factors, which exercise significant influence on business. They are physical or natural environment and global environment (Davies, 2011).

There is close connection between commerce and its economic environment. Business acquires all its needed contributions from the pecuniary environment and it captivates the output of business units. There is symbolic relationship between business and its surroundings and among the ecological factors. In other words, business is predisposed by its environs and in turn, to certain gradation, it will impact the external forces (Hatten, 2009). Similarly, political-legal environment impacts economic environment and vice versa. The same affiliation between other environment factors too. These conservational forces are vibrant. They keep on altering as years roll by, so does trade.

1.1.3 Strategic Response and Environmental Changes

Since the turn of the millennium, the general trade environment has become more volatile, unpredictable and very economical. Organizations operate in an atmosphere that is very vibrant, an environment that is always changing with dissimilar factors inducing the decisions an organization has to make. To survive in a vibrant and extremely competitive business environment, different organizations have had to engage various strategies to survive. One such strategy is the corporate turnaround strategy. The starting point is identification of the root cause or causes of the crisis. Turnaround strategies are used when a business worth resuming goes into corporate crisis (Pearce & Robinson, 2005).

While these concerns are global in nature, they manifest themselves differently based on firm context. Environmental concerns are now quite prevalent in developed countries while poverty and disease have remained prominent in developing nations. Surviving with the gradually competitive environment has called on organizations to rethink their marketing strategies (Pearce & Robinson, 2005). Environment has been

categorized as complex, vibrant, multi-facet and having far reaching impact (Kazmi, 2008). As a result, of these features, the environs is composed of various factors, events, conditions and influence, which interact with each other to make an exclusively new set of impacts leading to continual environmental change in its shape and charisma.

1.1.4 Energy Sector in Kenya

Energy is one of the infrastructural enablers of the three “pillars” of Vision 2030 (RoK, 2007). The Electricity Subsector, Petroleum Subsector and Renewable Energy Subsector are the three main energy sub-sectors. The Energy Sector has been restructured over the years to include more players following adoption of the Sessional Paper No. 4 on Energy in 2004 and the enactment of the Energy Act No. 12 of 2006. The Ministry of Energy and Petroleum (MOEP) is accountable for policy and general control of the sector while the Energy Regulatory Commission (ERC) manages all regulatory functions including coordination of the expansion of symptomatic energy planning, tariff setting and oversight, monitoring and enforcement of Sector regulations. The Sector has nine (9) State Corporations or Parastatals namely Rural Electrification Authority (REA); Geothermal Development Company (GDC); Kenya Power & Lighting Company Limited (KPLC); Kenya Electricity Generating Company (KenGen); Kenya Electricity Transmission Company(KETRACO); Kenya Nuclear Electricity Board(KNEB); National Oil Corporation (NOCK); Kenya Petroleum Refineries Ltd (KPRL); and Kenya Pipeline Company Ltd (KPC) (MoE,2013).

The ERC is liable for regulation of the energy sub-sector. It was formed in 1998 under Electric Power Act of 1997, the ERC has the accountability to set, survey and also

rationalize retail tariffs and support purchase agreements. It is also directed in enhancing rivalry in the energy sector, undertaking customer grievances and the Electric Power Act of 1997. KenGen produces over 80% of the power capacity used in Kenya making it the highest producer of electric power producer in the country (Acker, 2007). However dissemination of the Energy is done by KPLC which is well-thought-out as the biggest in the market. Major transformations that happened from the year 1996 to 1998 also resulted in the occurrence of various Independent Power Producer (IPPs) in the market and these included; Rabai, Orpower, Tsavor & Iberafrica Companies which now control 15% of installed capacity (Odhiambo, 2010).

1.1.5 Kenya Electricity Generating Company

Kenya Power & Lighting Company was a monopoly in that it managed the Generation, Transmission and Distribution of energy. In September 1997 the Government saw the need to split the Generation, Transmission and Distribution. The Kenya Power Company was authorized with generation and Kenya Power & Lighting Company remained with Distribution and Transmission (Kagiri, 2008). In October 1998 the Kenya Power Company changed its name to Kenya Electricity Generating Company Limited (KenGen).

KenGen is a Limited Company, enlisted under the Company Act. The company was established in 1954 as Kenya Power Company Limited (KPC) and then renamed to KenGen in 1998 after the proposal to reform the energy sector. The main obligation of KenGen is to advance, manage operation of power generation firms and to supply power to the citizens and to increase its supply to other markets. KenGen generates power through Hydro, Geothermal, Wind and Thermal. It is also a Public Listed

Company, quoted on the Nairobi Stock Exchange with the ownership structure being 30% private and 70% government.

KenGen as one of the actors in the sector has experienced changes, which have propelled it to act lest it fails to survive (Mwangi, 2009). The environmental turbulence has posed various challenges such as increased competition, high cost of power production and international pressure on conservation of the environment for the benefit of the whole world. KenGen has challenges with societal expectation, land acquisition for expansion are a challenge as the community expects too much on corporate social responsibility from KenGen (Kirubi, 2009). Changes in ecological conditions such as political issues, competition, socio – cultural effects, economic stability in the country and advancement in technology have resulted in other organizations joining in and the demand for power increasing enormously. Global warming has resulted to the organization, establishing ways in which to generate power that is not over reliant on the climate hence the introduction of the geothermal power generation and even Wind power generation. Drought affect the generation of power using the Hydro power generation thus making it unreliable.

1.2 Research Problem

The main concern of an organization is the continued existence over time. Organizations seek to serve the different needs of a community in which they exist. However, this incessant existence is not certain, and so the organizations must work for this. They have to employ strategies to match the challenges in the environment. The appropriate strategy is necessary in order to remain competitive and sustainable. Burnes (2000) argues that changes are an ever - present prospect of organizational life and its stride and greatness has amplified suggestively over the latest years.

According to Pearce and Robinson (2005) organizations are tackling with the tests of the changing environment in which they maneuver in order to remain competitive. Thompson (2007) pointed that to undertake this goal, companies must have a clear understanding of their environment and the needs of their clientele in order for their products to add value to their customers' lives. Organizations are working in a very dynamic environment with a lot of challenges to their operations.

KenGen, like many other organizations, is constantly faced with the challenges of adapting to changes in environmental conditions. For such organizations to survive, it is important to formulate and implement strategies that will counter such turbulence. According to Huczynski and Buchanan (2007), change of an organization is a premeditated imperative. This means that fundamental modifications or Strategic Change are obligatory in order to manage in the many and impulsive fluctuations in the wider societal, pecuniary, partisan and technological environment. Such strategies may include benchmarking, business process reengineering, total quality management, performance contracting, information technology etc.

Victoria (2010), did a research on response strategies of SMEs in Hungary to an environment changing in the early 2000s. The findings revealed that the strategies of SMEs in Hungary were not independent, but mostly adaptive, reflecting current changing global strategies and tender opportunities. Similarly, Shehada (2010), studied on the case of three Palestinian non-governmental organizations: strategic organizational responses to environmental pressures. The findings indicated that charitable contributions of organizations have been made scarce by environmental conditions. Competition has also been intensified with the upsurge of liberal

organizations, specifically Islamic organizations, which solidifies sponsors more choices for contributing than in the past.

Csaba (2010), researched on responses strategic of agricultural industries in Hungary to the environment changing in the early 21st Century. The findings indicated that most effectual agricultural industries in Hungary reflected human resources, vastly competent specialists and good solidarity as their core aptitude. With such human resources at hand they were capable to attain their goals, namely achieve monetary stability, proficient and high-tech development, speedy and well-organized organisational changes. Similarly, Raija (2007), studied on fluctuating business milieu effects of continuous novelties and disruptive technologies in Thailand. The study found that the new functioning mode when presenting disrupting technologies required reassessing business models, unusual attention to proficiency development, procedure renewal, client engrossment in new product development, and entails a means to guarantee software dependability.

In a study of the SACCO in Kenya, Wairegi (2004) studied strategic responses by life insurance companies to environment changes. The study established that the industry had responded to changes in the environment through development of new distribution channels such as internet, investment in human resource development and computerization of the core business. Similarly, Kimutai (2010), researched on strategic responses to competition by the Kenya ports Authority. Within the internal business environment the research established that Kenya Ports Authority has to take deliberate measures to offload excess workers, put in place a modern structure and change its organization culture. The authority has invested heavily in IT systems with the latest being the waterfront system to manage all operations at the water front area.

Njiru (2012), did a research on strategic responses of KCB Nyeri county branches in the face of changing environment. The study found that growth of new merchandises and intensifying into innovative markets were some of the approaches the bank was using. By effecting changes in the marketing mix elements the study found out that the bank was able to react to evolving variations in the market. Lagat (2011), did a study on strategic responses to changes in external environment by supermarkets in Kenya. Study findings indicated that economic environment is the most challenging followed by technological environment. Political and social environments were of little threat. Major challenges mentioned included competition, changing customer needs, turbulent economic conditions, technology and controlling operational costs. From the above studies little has been done on strategic response to changing environment by Kenya Electricity Generating Company. What strategic responses are employed by Kenya Electricity Generating Company to the changing environment?

1.3 Research Objectives

- i. To identify the challenges faced by KenGen from the environmental changes in which it is operating.
- ii. To identify the strategic responses adopted by KenGen to the changing environment.

1.4 Value of the Study

The findings of this study were helpful in providing information on the strategies to respond to external pressure by companies. The management of KenGen appreciated the challenges facing the industry and had an insight into issues relating to strategic management, how they affected the organization and how the organization can use strategic tools to create competitive advantage in a changing environment through

application of strategic responses. In addition, the study provided a justification to the responses adopted depending on the success obtained.

The report of this study was also an important source of information to investors, benefactors, associates of the society and other parties who have a stake in the welfare of KenGen. It was also a valuable platform for Managers in trying to bridge the apparent gap between strategy formulation and implementation. The report provided suggestions to other organizations in the power industry on how to cope with environment changes through adoption of strategic response. KenGen being a state corporation, this report was useful to the policy makers in making decisions on the management of the Company.

It contributed to present academic works in the arena of Strategic Management. It was a guide to further research in the field of Change management, Preparation and Enactment of Approaches in organizations. A basis of benchmarking with other institutions in other countries and what kind of research they have undertaken in the formulation and implementation of strategy and responses they have undertaken in the pursuit of excellence in the dynamic environment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section presented a review of the literature related to the subject of the strategic responses adopted by KenGen in order to adapt to the changing environment as researched by different authors, analysts and other professionals on which the final research proposal shall be based. The materials examined are compiled from sources that relate closely to the paper's theme and the objectives of the proposed studies.

2.2 Theoretical Foundation

This section examined the various theories that were used to inform the study on strategic responses to changing environment. The study was guided by the following theories; open systems theory, environment dependence theory and resource based theory.

2.2.1 Open Systems Theory

Katz and Kahn in 1966 developed the idea of open-systems theory. It was largely based on general system theory, which arose from the work of environmentalists. In "The Social Psychology of Organizations," Katz and Kahn (1970) elucidated that closed-system replicas delivered a motionless picture of an association, only appropriate when the structural environment is stable. However, according to Katz and Kahn, capability shows that the outdated administrative structures are not practicable in modern dynamic surroundings. They argue that societies possess many of the same features as incarnate creatures.

Accordingly, Katz and Kahn (1970) retain that open system organizations are basically reliant on their background for resources (e.g., power, information, money).

As organizations maneuver in a vigorous environs, they must retort to this surroundings in a manner that will support homeostasis and permit development. Just like incarnate cells, organizations must interchange possessions with the atmosphere in order to subsist. Besides, the limits of societal systems are formless, penetrable, and ever changing.

To accommodate the changes and demands of the environment, a business will consume the external forces or acquire control over them (Katz & Kahn, 1978). The important physiognomies of an active social system, according to Katz and Kahn, are the flow of resources, vigor, and evidence across system boundaries that maintain a steady state, where the proportion of energy alteration and the dealings between quantities remain the same.

2.2.2 Environment Dependence Theory

According to Pfeffer and Salancik (2005) the environment of an organization incorporates every event in the world that may hypothetically have an effect on the organization's activities. Pfeffer and Salancik differentiate three dimensions/ levels that explain differences in an organization's link with the atmosphere. External control in the structural perspective is an extension of open-systems theories, where "the external control of organizations" is based on the conception that the behavior, selections, and activities of an association are best agreed by investigating the ecological or the communal context of that behavior (Pfeffer, 2005). In this view, the environment is an influential restraint on structural action to the extent that all managerial outcomes are based on inter-reliant grounds or agents within their milieu.

According to Pfeffer and Salancik (2003), problematic circumstances exist in formative the requirement of one business on another; accordingly, the organization's susceptibility to the fluctuating environment depends on the following three factors. The first level is the all-inclusive system of unified individuals and societies that are connected to one another, and to a crucial organization, through the society's businesses. The next level, in which the business can experience its environment, is the set of personages and administrations with whom the principal business directly cooperates. The third level can be branded as the level of insight and illustration of the organization's environment, notwithstanding, its ratified environment (Pfeffer & Salancik, 2003).

Considering the circumstances that regulate an organization's susceptibility, and the factors that affect its perception of these circumstances (and therefore its behavior), managerial survival is reliant on upon extracting resources from this environment (Casciro, 2005). The first is the prominence of possessions and the extent to which an organization in dire need for resources can maintain itself. The second is the extent to which shareholders have pleasure over resource allocation and use. The third is the extent to which there are few substitutions, or the degree of control over the resource by a fascinated group.

2.2.3 Resource Based Theory (RBT)

According to the RBT, firms are packages of resources (Wernerfelt, 1984). Firm resources include all inputs that allow the firm to work and to implement its strategies (Olivarrieta, 1996). Competence approaches to strategy making have received increasing attention in recent times for example (Hamel & Prahalad, 1994) complementing rather than replacing Porter's (1980, 1985) industry and hence market-

based approaches. Yet competences, capabilities and the resources which underlie them are not new concepts. Economics research from Penrose's (1959) pioneering theory of the growth of the firm, to evolutionary economic theory (Nelson & Winter, 1982) and the dynamic capabilities work of Tierce et al. (1997) have all focused on the importance of a firm's tangible and intangible resources as a basis for sustainable, competitive advantage. Indeed, it is increasingly believed, in the economics and strategy literatures, that if firms are to achieve a sustainable advantage a resource and competence-sensitive strategy process or substantial ongoing good fortune is required (Barney, 1986).

When transformed or applied, input factors become part of the firm's assets or capabilities, contributing, directly to the outputs of the firm. Firm resources can be tangible or intangible and they may have been developed inside the firm or acquired in the market. Different classifications of resources have been offered in the literature. These are summarized in the following three categories: Input factors: are generic resources that can be acquired in the market. Logistics-related input factors include raw factors (e.g. forklift trucks, warehouse racking, packaging materials, and inventory) and raw skills (e.g. loading skills, driving skills, picking skills, computer-operating skills).

Probably the key postulate of the RBT is that differences in resources are causally related to differences in product or service attributes and thus to competitive advantages and differences in performance (Schulze, 1994). Strategic resources are those firm-specific resources that are valuable, scarce and imperfectly imitable, that generate rents (Barney, 1991) and endow a company with competitive advantage. Resources are considered valuable when they enable a firm to conceive of or

implement strategies that improve performance, exploit market opportunities or neutralize impending threats (Barney, 1991). They provide a disproportionate contribution (relative to their cost) to customer perceived value.

2.3 Organization and the Environment

Reginald (2010), defined organization's environment as a set of external events in the world, which has any effect on the activities or outcomes of the organization. Various internal and external forces under which the organization maneuvers is comprised of organization environment. It plays a very critical role in the corporate. It shapes the aptitude of the association to preserve efficacious relations with its clients. Effective organizations know the significance of persistently watching and acclimatizing to the deviations in the business environment. Porter (1980), characterized the commercial environment into macro and micro factors. Macro eco-friendly factors have a collective impact on every business operating in a specific market e.g. Economic environment, political environment etc. Micro ecological factors, on other hands, have an institute specific impact e.g. traders, clientele etc.

The change in the business environment brings both prospects and extortions for the business. The dynamism of the environment possess challenges to organizations, which as open system have to respond through appropriate strategies. There must be a match between strategic choice and the challenge in the environment. The appropriate strategy is necessary in order to remain competitive and sustainable (Johnson, 2010). The elucidation lies in conservational perusing which refers to the process of monitoring and evaluating the commerce environment. To incredulous this business vitality, companies necessitate certain predictableness appliances, which can guard them against the unsuspected threats or unnoticed business prospects.

2.4 Strategic Responses and Environmental Changes in organizations

Researchers such as Woods and Joyce (2009), pointed that strategy is a unique set of beliefs followed by a firm in the pursuit of its success. A firm's strategy is the key to kits long-term success as it enables the firm to achieve its corporate goals and objectives. Strategic responses might be based on an interactive process where the existing market environment is analyzed to forecast possible challenges that the firm might face in future as well as any future opportunities. The focus of an interactive process is mostly on the external environment where the threats and opportunities exist, which may cause an organization to neglect the internal environment (Kazmi, 2008). However, the internal environment is just as important as the external environment and should receive adequate attention in order for the firm to achieve a balance between its internal and external environment.

Strategies responses applied by most companies include: market penetration strategies, cost-leadership strategies, and product development strategies. This may be described as a horizontal growth, vertical growth, conglomerate growth or internationalization (Hatten, 2009). These above mentioned company strategies are important in identifying the responses of a firm to its environmental challenges. However, different ways in which a company can achieve a competitive advantage over its competitors include product differentiation, cost leadership, market diversification, and other decisive strategic responses.

Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Product differentiations strategies struggle to generate distinctive products that are not easily accorded by other rivals and thereby assuage

cost pressure on the firm (Porter, 1996). Readiness of the modern technology that is fundamental for product revolution is more probably to exist in industrialized countries than in less-developed states. Strategies that dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute (Kumar, 2006). Product differentiation fulfils a customer need and involves tailoring the product or service to the customer. This allows the organization to capture the market share (Kumar, 2006). Product differentiation accomplishes a customer need and encompasses modifying the product or service to the client. This allows the business to seizure the share of marketplace. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price.

Organizations may apply decisive strategic responses to changing environment through making dynamic moves to mitigate the consequences of the environmental changes. Ansoff and McDonnell (1990) described decisive strategic responses as the changes adopted by the organization for it to survive in the competitive environment it operates given the dynamic changes that occurs in the market to assure success in the future market. The competitive pressure in the market forms for strategic agenda action that should be taken by the organization. The degree of the organization strengths and weaknesses of the business, situations the firm in a feasible locus in the segment it maneuvers.

Porter (1998) purported that the aim of conclusive strategy of any firm is to discover a point in the business where the company can efficiently protect itself against the five modest forces, that is, new entry, threat of substitution, bargaining power of buyers,

bargaining power of suppliers and rivalry among current competitors. Organizations that adopt decisive strategic responses into the dynamic environment through adopting inimitable strategies reduce the negative outcome of the environmental changes. Formulating effective competitive strategies such as decisive strategy requires a broad formula on how a firm will monitor and evaluate the achievement of the intended objectives through a well-designed procedure that are directed to the organization goals.

2.6 Challenges Facing Strategic Response Adoption

An organization cannot operate on its own neither can it operate in solitude. As such they compete in the market in which they are operating with its competitors. These force any organization to develop the strategy to cope with the competition in the market (Oliver, 2007). These strategies need to be adopted and implemented, however, organizations face challenges in the process of adopting these challenges and in implementation stage. These challenges include privatization and commercialization of the public sector, increased competition, and liberalized economy, accelerated implementation of reforms by the government as well as rapid technological advancement, demand for environment conservation. Faced with these challenges in the ever fluctuating environment, societies have to rearrange their accomplishments and internal configurations so as to redirect the new external actualities (Thomas, 2010). The choice of stratagem must be right and be reviewed from time to time in order to confirm that the reaction is real.

According to Whittington (2009), the environment where organizations operates in is constantly changing with different factors influencing the organization. The general business environment is ever becoming more volatile, unpredictable and very

competitive. All these modifications in the external environs affecting the firm are in capricious gradations. Firms have however developed strategies to counter react the impact of the external environment forces. However, they are faced by even more challenges when responding to these forces. These includes high cost of maintaining quality services, cost of maintaining skilled labor, increased competition, government policies and regulation, inflation rates among others (Mwendwa, 2008).

2.7 Empirical Studies and knowledge gap

A number of empirical studies have been conducted in relation to strategic responses to environmental changes. Narteh (2016), did a research on strategies used in response to environmental changes in Barclays Bank of Ghana Ltd. The research problem was solved through the use of a survey design. Responses were sought from Managers or executive committee members who had been in the organization for at least three years. Primary data was collected through questionnaires. The data collected was analyzed through descriptive statistics. The major challenges that had greatly affected the growth of the banks included; employment laws, political instability, interest rates, low economic growth rates, increase in automation and high rate of technological change. The main response strategies which enabled these banks to remain in business was opening new branches.

Esterhazy (2014), did a study on strategic responses to the German Excellence Initiative. Data was collected using document analysis and qualitative interviews. Target population was strategic managers. Once the pertinent data were collected the researcher carried out analysis of the same using content analysis. The findings indicated that several organizational changes took place that can be considered strategic responses to the Excellence Initiative. A large part of the strategic behavior

was deliberately triggered by the organizational leadership but several changes also emerged from within the organizations.

Njiru (2012), did a research on strategic responses of KCB Nyeri county branches in the face of changing environment. The target population was seventy employees in the Nyeri County branches. A census study was conducted. Primary data was collected using a questionnaire. Data collected from respondents was both quantitative and qualitative in nature. The researcher analyzed the quantitative data, using descriptive statistics such as frequencies and mean scores. While qualitative data was analyzed using content analysis. The basis of using descriptive approach was to give a basis for determining the weights of the variables under the study. The study established that KCB had embraced a number of strategic responses in the face of changing external environment. The study found that majority of the respondents agreed that development of new products and expanding into new markets were some of the strategies the bank was using.

Finley (2002), studied on strategic responses to institutional gravities: a case study of an indigenous nonprofit association. A case study technique was implemented, and accomplice observation and discussions were the main data collection techniques utilized. The study publicized a business that contended with sincerity issues from a diversity of stakeholders. Managerial responses to these compressions involved the implementation of business practices, while endeavoring to maintain indigenous ethics and nation. Leadership was identified as a key variable that predisposed the operational and strategic responses of the business.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter delivered a discussion of the summary of the study methodology that was used in this study. It concentrated on the research design, data collection methods and came to a conclusion with data analysis and data presentation methods that were used in this study.

3.2 Research Design

This study employed the case study method which has evolved over the past few years as useful tool for an in-depth investigation of trends and specific situations. The design has been found appropriate since it focuses on specific and interesting cases. This design also allows a thorough, meticulous and systematic data collection on the research problem (Yin, 2013). Further, it gives a deep understanding of the issues, and allows data collection using in-depth interviews, questionnaires and document analysis.

A case study allowed in-depth understanding of strategic responses to changing environment by Kenya Electricity Generating Company. Case study is a method used to study a social phenomenon through a thorough analysis of an individual real-life events (case), which may be individual life cycles, group, community, neighborhood change, society, or any other unit of social life (Kumar 1996).

3.3 Data Collection

For the purpose of this study, the researcher used primary data. An interview guide with open-ended questions was administered to 8 managers at KenGen as the

respondents who included the human resource, business development, strategy and business performance, regulatory and corporate affairs, supply chain, operations, finance and ICT, company secretary and legal affairs. This involved in-depth discussion through individual meetings with the managers of KenGen.

Interview method was used since it generally yields highest cooperation and lowest refusal rates, offers high response quality, takes advantage of interviewer presence and its multi-method data collection. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back (Asika, 2004). Copper and Schindler (2003), emphasize the value of personal interview when they stated that it enables in-depth and detailed information to be obtained.

3.4 Data Analysis

The qualitative data collected was analyzed using content analysis technique. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2000), content analysis uses a set of categorization for making valid and replicable inferences from data to their context. The responses from different respondents were compared and summarized according to the objectives of the study. Content analysis is the best method of analyzing the open-ended questions because of its flexibility and allows for objective, systematic and quantitative description of the content of communication.

Cooper and Schindler (2006), defined qualitative data analysis as working with data, organizing it, breaking it into manageable units, synthesizing it, searching for

patterns, discovering what is important and what is to be learned, and deciding what you will tell others. Qualitative data requires some creativity, for the challenge is to place raw data into logical meaningful categories, to examine them in a holistic fashion, and find ways of communicating this interpretation to others.

CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction

This chapter presented data analysis and discussions. The study objective was to establish the strategic responses employed by Kenya Electricity Generating Company to the changing environment. Primary data was collected through in-depth interviews of 8 managers at KenGen who included the human resource, business development, strategy and business performance, regulatory and corporate affairs, supply chain, operations, finance and ICT, company secretary and legal affairs. The data was thereafter analyzed based on the objectives of the study and the findings are as presented as per the different classes underlined below.

4.2 Challenges Faced by KenGen

4.2.1 Current Challenges Facing KenGen in Kenya

The interviewees indicated that the company has faced a number of challenges making it difficult for the sector to run its activities efficiently. Some of the challenges include low investment in the power sector by private investors, high cost of rural electrification, limited distribution capacity, limited capacity during peak demand, grid-system losses and weaknesses, limited reach in rural areas, vandalism, over-reliance on hydro power which constitutes about 70-80 per cent of the total electrical power forcing the company to do power rationing in times of drought, and also switching to alternative power generation which is very expensive.

KenGen, like many other organizations, is constantly faced with the challenges of adapting to changes in environmental conditions. The company faces financial challenges during the implementation of strategic responses. The government does

not have funds to sponsor all the projects by KenGen and therefore the company has to rely on loans and external funding. The company struggles to shield itself from economic challenges being experienced and also for the company to remain competitive.

4.2.2 Influence of New Entrants and Competitors in Implementation of Strategic Responses by KenGen

Under this question, the interviewees indicated that an organization cannot operate on its own neither can it operate in solitude. As such they compete in the market in which they are operating with its competitors. KenGen's main competitor are the Independent Power Providers (IPPs) particularly Iberafrika which has a generating capacity of 108.5 MW though this is very small in comparison to KenGen's current generating capacity of 1,231MW. KenGen is also getting competition from Geothermal Development Company (GDC) who have now been given the mandate to drill wells and generate power.

The interviewees indicated that in order to effectively anticipate competitors' reactions to a strategy, the company has created a solid competitive intelligence capability. This has not forced the company to conduct corporate espionage to access competitive secrets. The company understands competitors' market positions, their relative competitive advantages and disadvantages, their historical behavior vis-à-vis competitive strategy, and the general disposition of their respective management teams.

The interviewee's quantified that in order to compete with competitors, KenGen has adopted a number of strategies. For instance it adopted corporate rebranding,

innovations and diversification. The respondents explained that these responses were intended to enhance quality of services, increased efficiency, convenience and more improved customer satisfaction.

4.2.3 Influence of Government Policy in Implementation of Strategic Responses by KenGen

The interviewees indicated that the government is the major constraint of response strategies adopted by KenGen. This is through change of power leading to change of the Managing Director & CEO since the government is the major shareholding in the company.

In order to guard the company from the frequent change of Managing Director & CEO's and for the welfare of its employees, the company had a permanent vision, mission and core values that guided them. The respondents established that this is the only way to protect KenGen from the political changes happening in the country. However, the respondents also argued that though the vision and mission are constant, the strategy to implement them may differ from Managing Director & CEO to CEO, this is also a constraint to the company.

4.2.4 Effect of Rapid Advances in Technology

The computer and developments in telecommunication are most important aspects of Information Technology (IT) that have transformed business environment and processes. The global pressures to change with the trends are the major influencing factors to the company. The respondents stated that KenGen is constricted by the public procurement act and this is the reason why they do technological changes after every one year.

According to the interviewees, KenGen has engaged itself in information technology where the technology has become indispensable ingredient in the company in several strategies that has enabled it to meet challenges of change. The interviewees stated some of them which include internet and intranets. This supports the company's business operations and they use it in business process reengineering. The company also uses Information Technology to develop new services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry.

4.2.5 Effect of Cultural Change to Changing Environment of KenGen

The interviewees indicated that the Company has embarked on an organization culture change to transform the organization's culture and staff attitudes. They indicated that this was intended to greatly enhance service delivery, corporate performance and image of the company. Culture helps them nurture key themes or dominant values within the company.

They further stated that it helps them reinforce the competitive advantages they seek, such as quality, differentiation, cost and speed. They explained that most typical beliefs that shape the company's culture is belief in being the best; belief in superior quality and service, belief in importance of people as individuals and a faith in their ability to make a strong contribution, importance of details of execution and customers should reign supreme.

4.2.6 Influence of Technological Changes to Changing Environment

With penetration of information and technology, the market has become a global village and KenGen is no exception. The customer is knowledgeable and informed

because of the individual dynamism of the needs and preferences. The interviewees indicated that the technological changes has had a positive influence as the company is now operating a paperless office and the whole organisation is being run under an enterprise resource planning software.

According to interviewees, the company has changed machines, made software changes and it has tried to adapt to the changes. It is evident that they have been able to benefit KenGen by being able to cut cost and work efficiently. The changes have been witnessed in the procurement department, in the office work as well as in their communication and it has been an advantage to the company. Everything is going electronic and for KenGen to survive it has to cope with the changes however the interviewees revealed that those changes are too frequent for an organisation like this and these means that the company may take a while to adopt new technology.

4.2.7 Influence of Ecological Changes in the Implementation of Strategic Responses to Changing Environment by KenGen

The interviewees stated that specific concerns in the area of ecology are global warming, loss of habitant, and biodiversity as well as air, water, and pollution. Firms are increasingly being called upon to pay attention to this by protecting the environment. They indicated that KenGen utilizes various sources to generate electricity ranging from hydro, geothermal, thermal and wind, therefore it's evident that any ecological changes would greatly affect the company in its mission to generate power.

They stated that any effort to attain success through competitive advantage must be fully conscious of all the peripheral surroundings factors and their influence on the

day to day tasks of the industry. The enterprise has been affected by droughts and shortage of rainfall which has led to the reduction of water levels in the power generating dams thus affecting the hydro power generation. This has made the company to venture into green energy hence Geothermal and Wind Power generation.

4.2.8 Effect of Leadership and Culture on Competition

Leadership has become very important in recent years due to businesses becoming more competitive and volatile. Organizational culture is a set of important assumptions, often unstated that members of an organization share in common. The respondents quantified that leadership and culture has affected the company in various ways. In the company's leadership, KenGen involved action in first guiding the company in dealing with constant change by embracing change, clarifying strategic intent and shaping culture to fit with opportunities and challenges that change afterwards. The company's culture has been kept moving by certain beliefs which include the belief in being the best; belief in superior quality and service, belief in importance of people as individuals and a faith in their ability to make a strong contribution, importance of details of execution and customers should reign supreme. This has enabled the company stay strong in the competitive environment.

4.2.9 Competition Consideration from Other Players in the Industry before Formulating Business Strategies

Business strategy often stresses product differentiation from the competition; the need to offer a product with a certain value proposition for customers. Strategy options for differentiation include low-cost product leadership, unique product leadership, or market dominance through either low-cost or unique product leadership. The energy sector being very competitive and homogeneous may be very difficult to maintain the

customers. The interviewee's responded to this question by stating that the company considers competition which is the core factor in every business. KenGens' strategic plan is commonly based on plans on how to grow at a faster rate and remain as the leading power generating company in Kenya. The business strategies allows the firm to best exploit its core competencies relative to opportunities in the external environment.

4.3 Strategic Responses adopted by KenGen

4.3.1 Competitive Environment

The interviewees indicated that they view competitive environment as the dynamic system in which a business competes and where the state of the system as a whole limits the flexibility of a business. Other researchers view competitive environment as the vibrant peripheral system in which an organization competes and functions. The more suppliers of the same product or service, the more economical the environment in which a business competes.

4.3.2 Implementation of Marketing Strategies by KenGen

Marketing strategies is the process of planning and exercising the concept of pricing, promotion and distribution ideas, goods and services to create exchanges that satisfy individual and organizations objectives. KenGen has implemented marketing strategies since the business chattels have little significance without the reality of consumers. The interviewees explained that the key business undertaking of this application is to appeal and maintain their businesses. Clienteles are enticed through competitive grander offering and recollected through gratification. KenGen's marketer's task is to advance a grander offering and convey client fulfillment.

4.3.3 Ways in which KenGen responds to Changes in External Environment

External environment consists of social factors, political impacts; ecological considerations, technological uplifts and cultural changes. Organizations rarely have influence on the turbulence experienced in these factors. They therefore need to come up with strategies that will enable them to survive in event of turbulence in the environment.

According to the interviewees, KenGen is determined to provide the best service to its customers with the aim of achieving high quality services and increase customer satisfaction. The company has adopted a number of strategies. Some of the strategies adopted are corporate rebranding, innovations and diversification. The respondents explained that these responses are intended to enhance quality of services, increased efficiency, convenience and more improved customer satisfaction. It was observed that strategic responses are essential ingredients towards improving the image of the organization through providing better services that meet the ever growing customers' needs.

4.3.4 Reviewing of Strategic Responses by KenGen

It is important to review response strategies in a company. The interviewees stated that they review their response strategies frequently. Regular reviewing response strategies is vital for ascertaining new aspects and observing the competence of the corporation's jeopardy and reimbursements behavior of response strategies. They explained that there is always the need to test, evaluate and update the response strategies in the company as they can amend the industry, the business and the environment it maneuvers in change. Response strategies plan must be part of a bigger business continuousness plan that includes strategies for reacting to and

recuperating from occurrences if they do happen. Ensuring the company permanency plan is consistent and up to date will help the corporation recommence operations quickly after an event and moderate the influence to the industry.

4.3.5 Availability of Financial Resources to implement the Response Strategies in KenGen

The interviewees were asked to indicate whether the company had enough resources to implement the response strategies. They indicated that availability of financial resources is a key issue in the implementation of strategies in the company. The cost element has been a huge challenge to KenGen due the rising costs of raw materials as traditional sources of financing for geothermal development at KenGen have been mainly government grants (MoE budgetary allocation for capital development) and Development financial institutions (DFI).

The interviewees indicated that KenGen has explored wider and innovative ways to raise additional capital for its projects range. While maintaining the traditional capital sources, KenGen has most recently explored the local capital market Commercial/International project finance banks as sources for funding its project portfolio so as to curb competition. It is also spearheading the newly incorporated PPP approach to secure funding for its immediate future projects. In addition, significant foreign funding has been witnessed lately as the developments reach critical stages where large upfront investments are required.

4.3.6 Influence of Clients/Customer Needs in the Implementation of the Response Strategies by KenGen

Under this question, the interviewees indicated that customer needs, customer expectations and customer behaviour have constantly changed, thereby driving the company to give special attention to its markets and the business environment, which they monitor continuously. In market research the firm has significantly increased information gathering on competitors and customer needs. The other strategies such as pricing and distribution have been moderately adjusted so as to maintain the customers. The company has also developed a new corporate brand that is intended to make sure that KenGen is responsive to its customers and stakeholders, professionalism in all its operations and its mandate to enhance increased customers confidence and trust.

The interviewees also indicated that the company uses differentiation strategy which aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. With these differentiation features, the firm is able to provide additional values to customers which will reward them with a premium price. It was observed that strategic responses were essential ingredients towards improving the image of the organization through providing better services that meet the ever growing customers' needs.

However, the company is unable to infringe technological changes due to cost cutting. The cost of running business is high and the company have to beat competition as well and therefore KenGen main aim is to earn more and gain back the market share it

has lost. It was also revealed that SAP is able to run the whole organisation and hence it does not need many different systems and this helps to save on costs.

4.3.7 Ways the Company has Managed to Survive during a Period of Rapid Business Environmental Change

Environmental conditions affect and influence strategies developed by organizations for survival and success. Under this question, the interviewees indicated that KenGens' management built up its market over time where decision on the overall entry strategy differed in aggressiveness, risk and the amount of control that the firm was able to maintain. During the period of rapid competition, many strategies exist with differing levels of company's involvement where the level of involvement and decision making is positively related to the level of risk and control the company wished to undertake.

The strategic decision on entry was made and it fundamentally benefited the firm, including its operations and its management. The decision to stay in the market and compete remained an important innovation as the company became even more competitive even though there were difficulties behind the company's decision to begin to compete in the markets. By refusing to give up, the company made it to be the leading power generating Company.

4.3.8 Weaknesses, Strength, Opportunities and Threats in KenGen

Business environment is very dynamic and as such it changes at a very high rate. These changes pose both opportunities and threats for organizations and thus there is need to constantly analyze what is happening then formulate and implements strategic responses to mitigate the threats and take advantage of the opportunities. The

interviewees were asked to indicate the weaknesses, strength, opportunities and threats in the company. They stated that the threats faced by the company are competitors such as Independent Power Providers (IPPs) particularly Iberafrica which has a generating capacity of 108.5 MW though this is very small in comparison to KenGen's current generating capacity of 1,231MW.

Under the opportunities, the company has been able to remain as the leading power generator in Kenya since there are no so many serious competitors. The company has been stable and this may be viewed as its strength in growth and excellence. Through this, they are assured that the company cannot easily go down. Their weaknesses lays under the charges of the services. Present electricity prices, as indicted by the Kenya Power and Lighting Company (KPLC), are determined by two major price mechanisms. The first is the absolute cost of electricity bought from brokers by KPLC. The second are all non-generation expenses that KPLC acquires for the transmission and delivery of power, the preservation and development of its power grid and for general operating expenses and overhead. The management controls its indicting factors and thus the business have had a problem in setting its prices fairly without affecting the customers.

4.4 Future of KenGen in Kenya

The present trends in consumer behavior in Kenya provides a great opportunity for investment by KenGen. The current and future trend in Kenya shows that the Kenyan consumers are loyal to the company. In an effort to transform itself from a Good to Great Company (G2G), KenGen has embarked on an ambitious generation expansion plan to install additional 1,260 MW of electric power by 2018 from geothermal sources.

The company plans to commission two power plants of 140 MWe each (Longonot I and Longonot II) in March 2018 and March 2019 respectively. If KenGen shall be the developer, then drilling of geothermal wells in Suswa shall commence in December 2016 like Longonot utilizing 6 rigs at one go. Two power plants of 140 MWe each (Suswa I and Suswa II) shall be commissioned in December 2019 and December 2020 respectively. The prospects to the north of Menengai will either be developed by Private Investors or joint ventures and might come on line sooner or later than the above development program. This planned ambitious geothermal developments require over 300 production and 60 re-injection wells to be drilled in the next ten (10) years and about 10 large power stations of about 140 MWe each to be built at a total cost of over US\$ 5 billion inclusive of wells and steam gathering system.

4.5 Discussion of the Findings

The study found the challenges facing KenGen. The findings indicated that the company has faced a number of challenges making it difficult for the sector to run its activities efficiently. Some of the challenges include low investment in the power sector by private investors, high cost of rural electrification, limited distribution capacity, limited capacity during peak demand, grid-system losses and weaknesses, limited reach in rural areas, vandalism, over-reliance on hydro power which constitutes about 70-80 per cent of the total electrical power forcing the company to do power rationing in times of drought, and also switching to alternative power generation which is very expensive. This findings concur with those of Kaplan and Norton (2014) who indicated that the need to remain competitive, productive and open to the challenges of the future in the face of organizational change is becoming more important than ever, and the demand for innovative technology and service in

the information age environment is just one of the challenges facing companies today. Organizations have to respond to the pressure exerted by the challenges posed by the environment.

The study findings indicated that KenGen competes in the market in which they are operating with its competitors. KenGen's main competitor are the Independent Power Providers (IPPs) particularly Iberafrica which has a generating capacity of 108.5 MW though this is very small in comparison to KenGen's current generating capacity of 1,231MW. The company understands competitors' market positions, their relative competitive advantages and disadvantages, their historical behavior vis-à-vis competitive strategy, and the general disposition of their respective management teams.

The study found that the government is the major constraint of response strategies adopted by KenGen. This is through change of power leading to change of the Managing Director & CEO since the government is the major shareholding in the company. To guard the company from the frequent change of Managing Director & CEOs and for the welfare of its employees, the company had a permanent vision, mission and core values that guided them. The findings established that this is the only way to protect KenGen from the political changes happening in the country. This is in line with Wagner (2009), who stated that Government influence affects many businesses in a country. He stated that imposition of heavy tax affects businesses negatively.

The study found that customer needs, customer expectations and customer behaviour have constantly changed, thereby driving the company to give special attention to its

markets and the business environment, which they monitor continuously. In market research the firm has significantly increased information gathering on competitors and customer needs. The other strategies such as pricing and distribution have been moderately adjusted so as to maintain the customers. This findings concur with Stock (2010) who indicated that customers are more geographically dispersed, and they now demand higher quality products at lower cost in a shorter time. As a result, firms have been forced to reorganize their production activities and realign their strategies.

The study established that KenGen has engaged itself in information technology where the technology has become indispensable ingredient in the company in several strategies that has enabled it to meet challenges of change. It was found that some of them which include internet and intranets. This supports the company's business operations and they use it in business process reengineering. The company also uses Information Technology to develop new services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry. The findings are in line with Vachani (2012) who indicated that rapid technological innovation, regulatory reforms, social-cultural development, global integration and differentiation and institutional overhauls create discontinuities in the environment and threaten the sustenance of the firm or open new paths for the future. The characteristics of the internet business environment combined with the ever changing technologies have created one of the most challenging business environments for Entrepreneurs.

The study established whether the company had enough resources to implement the response strategies. It was found that the cost element has been a huge challenge to KenGen due the rising costs of raw materials as traditional sources of financing for

geothermal development at KenGen have been mainly government grants (MoE budgetary allocation for capital development) and Development financial institutions (DFI). KenGen has explored wider and innovative ways to raise additional capital for its projects range. While maintaining the traditional capital sources, KenGen has most recently explored the local capital market Commercial/International project finance banks as sources for funding its project portfolio so as to curb competition. The findings concur with Kagwe (2012) findings where he stated that for a business to thrive and be able to compete with its competitors, it must have adequate finance that will keep it moving. He also stated that the implementation of strong response strategies requires a huge capital to keep a business in line with the others.

The study found ways in which KenGen responds to changes in external environment. It stated that the company has adopted a number of strategies. Some of the strategies adopted are corporate rebranding, innovations and diversification. The findings indicated that these responses are intended to enhance quality of services, increased efficiency, convenience and more improved customer satisfaction. It was observed that strategic responses are essential ingredients towards improving the image of the organization through providing better services that meet the ever growing customers' needs. The findings are in line with Tushman and Anderson (2010) who stated that responding to external change in any form is fundamental requirement for the sustainability of established firms. The need for strategic change can occur with shifts in markets, technology, regulation and innovation. He stated that firms often miss what is happening or respond using mechanisms that are inadequate or maladaptive.

The study found ways in which the Company has managed to survive during a period of rapid business environmental change. The findings indicated that KenGens'

management built up its market over time where decision on the overall entry strategy differed in aggressiveness, risk and the amount of control that the firm was able to maintain. During the period of rapid competition, many strategies exist with differing levels of company's involvement where the level of involvement and decision making is positively related to the level of risk and control the company wished to undertake. This is in line with Andexer (2008) who stated if nobody is competing in your business space, there's a very good chance the market you're going into is too small.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary, conclusions and recommendations of the study. This study focused on establishing the strategic responses employed by Kenya Electricity Generating Company to the changing environment.

5.2 Summary of the Findings

From the findings, the company has faced a number of challenges making it difficult for the sector to run its activities efficiently. Some of the challenges include low investment in the power sector by private investors, high cost of rural electrification, limited distribution capacity, limited capacity during peak demand, grid-system losses and weaknesses, limited reach in rural areas, vandalism, over-reliance on hydro power which constitutes about 70-80 per cent of the total electrical power forcing the company to do power rationing in times of drought, and also switching to alternative power generation which is very expensive.

The study findings established that the cost element has been a huge challenge to KenGen due to the rising costs of raw materials as traditional sources of financing for geothermal development at KenGen have been mainly government grants (MoEP budgetary allocation for capital development) and Development Financial Institutions (DFI). KenGen has explored wider and innovative ways to raise additional capital for its projects range. While maintaining the traditional capital sources, KenGen has most recently explored the local capital market Commercial/International project finance banks as sources for funding its project portfolio so as to curb competition.

The findings indicated that customer needs, customer expectations and customer behaviour have constantly changed, thereby driving the company to give special attention to its markets and the business environment, which they monitor continuously. In market research the firm has significantly increased information gathering on competitors and customer needs. The other strategies such as pricing and distribution have been moderately adjusted so as to maintain the customers.

The findings established that the government is the major constraint of response strategies adopted by KenGen. This is through change of power leading to change of the Managing Director & CEO since the government is the major shareholding in the company. To guard the company from the frequent change of Managing Director & CEO and for the welfare of its employees, the company had a permanent vision, mission and core values that guided them. The findings established that this is the only way to protect KenGen from the political changes happening in the country.

From the findings, KenGen has engaged itself in information technology where the technology has become indispensable ingredient in the company in several strategies that has enabled it to meet challenges of change. It was found that some of them which include internet and intranets. This supports the company's business operations and they use it in business process reengineering. The company also uses Information Technology to develop new services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry.

From the findings, KenGen has adopted a number of strategies which are rebranding, innovations and diversification. The findings indicated that these responses are intended to enhance quality of services, increased efficiency, convenience and more

improved customer satisfaction. It was observed that strategic responses are essential ingredients towards improving the image of the organization through providing better services that meet the ever growing customers' needs.

The study further found that the company has managed to survive during a period of rapid business environmental change. KenGens' management built up its market over time where decision on the overall entry strategy differed in aggressiveness, risk and the amount of control that the firm was able to maintain. During the period of rapid competition, many strategies exist with differing levels of company's involvement where the level of involvement and decision making is positively related to the level of risk and control the company wished to undertake.

5.3 Conclusion

From the study findings, it can be concluded that customer needs, customer expectations and customer behaviour have constantly changed, thereby driving the company to give special attention to its markets and the business environment, which they monitor continuously. Also, the government is the major constraint of response strategies adopted by KenGen. The company also uses Information Technology to develop new services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry.

KenGen has explored wider and innovative ways to raise additional capital for its projects range. KenGen has adopted a number of strategies which are rebranding, innovations and diversification. The Company has managed to survive during a period of rapid business environmental change. KenGens' management built up its market

over time where decision on the overall entry strategy differed in aggressiveness, risk and the amount of control that the firm was able to maintain.

5.4 Recommendations

From the findings, it has been discovered that technological changes are too frequent for an organisation like KenGen and these means that the company may take a while to adopt new technology. However, the study recommends that KenGen should strive to associate itself with the latest technological changes, as well as changes in political, economic, legal and even demographic trends in order to develop the outside-in capabilities, such as market sensing, customer linking, channel bonding and technology monitoring so that to be able to survive in the competitive environment.

The study recommends that the management should look for alternative sources of funding in order to overcome the challenges of finance related to restructuring strategy, economic recession and liquidity and solvency. KenGen should be focused in achieving the goals of growth and development that are important for the company such as survival in market, market diversification/differentiation, market development, profitability and growth. In order to enhance its competitiveness in the market, the company management should be vigilant in order to ensure alignment of strategy with the operating environment.

KenGen should practice green procurement since ecological conditions affect power generation. This should be done in order to protect the environment by encouraging environmentally friendly products and processes affecting demand patterns and creating business opportunities.

5.5 Implication on Policy and Practice

Some of the findings in this study call for a review in some of the policies and practices that are undertaken by KenGen. The company can make use of the various cultures in Kenya as a way to determine innovations that they can be helpful to their business. Further, KenGen may change its organizational culture, though it's difficult to change, with time. It is important for the organization to develop its culture as it influences the way people behave.

The management of KenGen should appreciate the challenges facing the industry and have an insight into issues relating to strategic management, how they affect the organization and how the organization can use strategic tools to create competitive advantage in a changing environment through application of strategic responses. The managers in the power industry should learn how to cope with environment changes through adoption of strategic response.

5.6 Limitations of the Study

The limitation of this study was the limit of time and scale of the research. The interviewees were very busy in their offices and so it was difficult to get an ample time to interview them. Some of the conversations would be interrupted and left hanging after some managers received important calls from the various industrial departments. We would however proceed with the interview thereafter.

The researcher faced difficulties while obtaining the data since the information required on the organizations strategies was considered more sensitive and the management were unwilling to share it with an outsider. The employees were granted permission to respond to the interview questions by focusing on the general view. The

company keeps its strategies confidential because they would use them to gain competitive advantage.

5.7 Suggestion for Further Research

The study recommends that further research should be done on the effect of the strategic responses to the changing external environment by KenGen on the performance. Further study should also be done on the strategic responses to the changing external environment by other organizations so as to allow for generalization of result since each has a different strategic approach and economic footing. The study recommends that further studies should be done on the effect of organization culture to strategic responses in the organization.

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APPENDICES

APPENDIX I: AUTHORITY TO COLLECT DATA



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 4/10/2016

TO WHOM IT MAY CONCERN

The bearer of this letter Georgina Charlette Achia

Registration No. D01/79566/2016

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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 your assistance to enable him/her collect data in your organization.

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.




PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

APPENDIX II: LETTER OF INTRODUCTION

Dear Sir/Madam,

REF: REQUEST TO CARRY OUT DATA COLLECTION

I am a student at University of Nairobi pursuing a Master's degree in Business Administration. As a requirement in fulfillment of this degree, am carrying out a study on the 'STRATEGIC RESPONSES TO CHANGING ENVIRONMENT BY KENGEN.'

You have been chosen as you are well positioned to provide reliable information that will enable the study achieve its objectives. I intend to research the above through the use of Interview Guide.

Any assistance accorded to me in my noble cause and information given shall be treated as confidential and will be used purely for the purpose of this research and a final copy of the document shall be availed to you upon request. Your cooperation will be highly appreciated and thank you in advance.

Yours Faithfully,

Georgina Charlette Achola

APPENDIX III: INTERVIEW GUIDE

1. Could you please explain how you view competitive environment?
2. Does your company have enough financial resources to implement the response strategies? Explain
3. How often do you review response strategies adopted by your organization? Explain
4. What major factors influence the adoption and implementation of business strategies in your organization? Explain
5. How has the clients / customer needs influenced the implementation of the response strategies by KenGen? Explain
6. How has new entrants and competitors in to the industry influenced the implementation of strategic responses by KenGen? Explain
7. What is the influence of government policy in implementation of strategic responses by KenGen? Explain
8. Can you explain how KenGen has been affected by the rapid advances in technology?
9. In what ways does KenGen respond to changes in external environment? Explain
10. What is the effect of cultural change to changing environment of KenGen? Explain
11. What is the influence of technological changes to changing environment of KenGen? Explain
12. Explain how ecological changes influence the implementation of strategic responses to changing environment by KenGen.

13. Does KenGen implement marketing strategies as a strategic response to the changing environment? Explain
14. What is the effect of leadership and culture on competition in your organization? Explain
15. Does your company consider the competition from other players in the industry before formulating business strategies? Explain
16. What are the weaknesses, Strength, Opportunities and threats in your organization? Explain
17. How often do you review response strategies adopted by your organization? Explain
18. Could you please explain how you have managed to survive during a period of rapid business environmental change? Explain
19. What challenges is KenGen facing currently in Kenya?
20. What do you think about the future of KenGen in Kenya?