IMPACT OF STRATEGIC MANAGEMENT IMPLEMENTATION: A CASE STUDY OF MEDIUM SIZED ENTERPRISES IN NAIROBI

BY

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STUDENTS DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for Academic credit.

Signed: Priscillah Wambui Wainaina (ID184874)  Date: 14/7/04

This project has been presented for examination with my approval as the appointed supervisor.

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ABSTRACT

This study sought to find out whether medium sized firms in Nairobi do apply Strategic Management tools in their day-to-day operations. A medium sized enterprise varies from country to country but it is usually based on such criteria as number of employees, size of initial investment and turnover rate. According to the Small business service-an agency of dfi’s research page, a medium sized company must satisfy at least two of the following criteria:

- a turnover of not more than £11.2 million;
- a balance sheet total of not more than £5.6 million;
- not more than 250 employees

A clear definition may be useful in a particular national context but not be practical to attempt a universal definition. The researcher in this case study used the annual turnover of 11 million to 90 million to categorize the businesses interviewed as medium sized enterprises.

Specific case studies of particular firms were used to address problems in the past and to see how they overcame these challenges with the use of strategic management.

The general objective of the study was to evaluate the state of strategic management practices in the medium sized enterprises in Nairobi. The problem that motivated my was to ascertain, whether medium sized businesses in Nairobi apply Strategic Management in their day to day operations.

A structured questionnaire was used to collect primary data to establish the strategic management process in the medium sized businesses in Nairobi. Secondary data was collected through journals on the Internet, and textbooks on Medium sized firms in Kenya. Analysis of data was done using MS Excel and Statistical Package for social for Social Scientists (SPSS) and was presented in tables. The population of the study was 30 medium sized firms in Nairobi.

This study was important because it will go a long way to help medium sized entrepreneurs appreciate the need of applying strategic management tools in their day-to-day business
operations, so that they can compete effectively in the market. It will also be used to help identify the needs for further training, financing and technical assistance to the entrepreneurs. Results from the study identified that majority of the businesses had mission statements and implemented strategic plans (short-term and long-term) to meet there targeted objectives. It was also found out that most of the medium sized entrepreneurs were facing challenges in implementing strategic management in their businesses and they concurred that training in strategic management was a vital tool in their business operations. Finally most of the owner/managers did not delegate authority so they had so much to do and less time to concentrate on ways to elevate their businesses and did not document their strategic plans.

The study recommends that strategic plans be documented so that the owner/managers can make specific budgets and procedures. Medium sized businesses should adapt state-of-the-art technology for them to be at a better competitive edge. Medium sized enterprises should entrench quality and professionalism in their day-to-day dealings and should establish research and development departments to enable them scan the market and develop strategies that would tackle the unforeseen challenges.

And finally the study also recommended a graduate level training program on Strategic Management for level managers with specific reference to manpower needs of the firms in the “Missing Middle”. This training should be started in one of the universities to provide managerial support to owner/managers and strengthen the organizational structure of these firms.
DEDICATION

I would like to dedicate this project to my Mum and Dad for their moral and financial support. To my boyfriend, brothers, sisters nieces and nephews for their inspiration and prayers.
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CHAPTER ONE

1.0 Introduction

The aim of this research was to find out whether firms in Nairobi apply strategic management in their day-to-day operations. It goes beyond this to address the true challenge of management, which when met can produce continuous and powerful sense of direction in an organization. This chapter starts by addressing the background of the study, statement of the problem, objective of the study, justifies why the study was done and then go on to show the scope of the study.

1.1 Background of the problem

According to Tourangeau (1981), A unifying approach of managing all the resources of an organization and effectively integrating the phases of planning with both implementation programs and control measurement of results is called strategic management. In order to be both efficient and comprehensive, strategic management does introduce numerous fresh philosophies for consideration.

Cauwenbergh and Cool (1982), said the interest on strategic management has been flourishing over the years. Since its introduction, strategic management has experienced remarkable growth and acceptance both as a field of study and good business practice. An example of a good business practice can be seen in a case study of the American Motorcycle Icon company- Harley Davidson.

1.1.1 Harley Davison

The Harley Davidson story begun in 1903; in a small shed in the Davidson family backyard. This grew by 1907 to include the company’s first building on the Juneau Avenue site of the main Milwaukee offices in the United States of America.
During the early 1900s the US experienced rapid growth in the motorcycle industry but most of the early U.S companies produced shoddy unreliable products. This however was considered not to be true of Harley-Davidson. The company motorcycles were known for power and reliability. By virtue of its very strong military and domestic sales Harley-Davidson became the largest motorcycle company in the world in 1918.

Foreign competition was unknown to the firm and that which was present posed no serious threat to its operations. This however was to all change with the entry of Japanese competitors in the United States of America market. These new players initially entered and controlled the lightweight motorcycle market. Harley-Davidson failed to appreciate these new competitors but instead welcomed the little bikes believing that small-bike customers would quickly move to large bikes as the riders became more experienced. This however was not to be so and soon the Japanese had even started penetrating the middleweight market. By the late 1970's the Japanese dominated both the lightweight and middleweight markets locking Harley-Davidson into a very narrow heavyweight segment.

In an attempt to raise capital and expand its production capacity, Harley went public and merged with the conglomerate AMF - a company known for its leisure and industrial products. This merger did not work out in the best interest of Harley, as AMF did not value the company. This is not surprising as we see that in 1978 Harley only contributed to 1% of the profits of AMF. During this period AMF favored short-term profits rather than investment in R&D. Harley during this period did not release any new product line while its foreign competitor, the Japanese, continuously released new improved designs. Its cost structure was also relatively higher than its competitors, which translated into much higher product prices for comparative products.

The Japanese motorcycles were seen to be superior products with better performance yet at lower costs therefore offering higher value. Harley lost in technological advances and also market share during this period. Their products were also seen to be of a lower quality as compared to the Japanese products. The situation worsened in 1975 when the
Japanese companies started to penetrate the big bore custom motorcycle market with Harley look-alikes and v-twin engines. In a short time however, the Japanese captured a significant share of the large cycle segment and controlled nearly 90% of the total motorcycle market. In its bid to recapture its lost market share, Harley was taken through a turnaround that was headed by its CEO Vaughan Beal’s. The turnaround was the result of a deliberate effort (Deliberate strategy)

1.1.1.0 Summary Strategy
1980’s company suffered largest threat

- Merger with conglomerate AMF to increase capacity had been in place for 10 years.
- Mid 70’s AMF failed to react to Japanese threat
- Motorcycles were never AMF priority
- Their orientation was short term

To counter this in June 1980, CEO Vaughn Beals completed a leveraged buyout of Harley Davidson from AMF and launched ‘The Eagle Soars Alone’

1.1.1.1 Vaughn Beals focused on 3 Strategic Thrusts: -

a) Stopping competition

V. Beals petitioned the International Trade Commission (ITC) for temporary protection from Japanese “dumping” practices in 1982. He accused the Japanese of dumping large quantities of bikes in the U.S. and selling them for prices much below what they were in Japan.

b) Adopting the Japanese System of Organization by re-engineering the value chain (making production more efficient)
➢ Building an ‘organic’ organization from ‘mechanistic’
➢ Strong employee development and involvement. As a result, rigorous training programs were developed
➢ Heavy investment in Research and Development. One payoff of this investment was a computer-aided design (CAD) system developed by the research and development group, that allowed the management to make changes in the entire product line maintaining elements of traditional styling.
➢ Introduction of lean corporate structure. This was simplified and the top executive officers were put in charge of the functional areas.
➢ Quality first

c) Acquisition for diversification and to boost organic growth

Beals set corporate goals to increase the level of defense-related business in an attempt to diversify the company. That is why Harley acquired the Holiday Rambler Company in December of 1986. Beals saw the fit as a good one because Holiday was a recreational vehicle producer and was what he called “manufacturing intensive” just as Harley was.

1.1.1.2 The organization transformation for turnaround

Adopting the Japanese Culture re-engineering the value chain
➢ In-bound logistics-Adopted the materials as needed (MAN) system (reduced costs, guaranteed quality) and introduced background integration.
➢ Operations (production)-Introduced statistical Process Control, workers were organized into ‘work cells’, this improved efficiency and motivation, Creative use of the ‘Tool’ to churn out innovative modern products, Computer aided design in manufacturing program
➢ Marketing and Sales (Rebuilding the Image)-Introduction of the ‘Buy Back Program’ (full trade in value) for leading Sportser range, First to offer ‘demonstration program’, expansion of field sales force, launch of the Harley
Owners Group (HOG), strong dealer promotions, Direct Mail, Magazine advertising and sponsorship of racing activities, licensing of the Harley Name

- **Support activities**
  - RESEARCH AND DEVELOPMENT- Introduction of Computer Aided System (CAD) and use of Robots
  - HUMAN RESOURCE-Introduction of Rigorous training, employee development and training, development of participative, co-operative, less hierarchical work climate, co-operative agreement union for workers
  - FIRM INFRASTRUCTURE-Introduction of Japanese management systems i.e. Two Basic Divisions: motorcycle and defense, flatter structure (simpler, learner structure), Reduction of salaried staff, participatory management style

Harley Davidson’s turnaround in face of stiff competition is viewed as what can be achieved with good strategic management. From this case study I saw the need for understanding the strategic management the medium sized enterprises, which in turn grow to very large companies. The role of medium-sized enterprises is to promote economic development in Third World countries. Most businesses in the formal and the informal sector start small. A few manage to grow into respectable medium sized firms but most firms remain small either by choice or through the founders’ inability to expand. This study will endeavor to analyze and establish strategies used in the management of the medium sized businesses in Nairobi.

### 1.2 Statement of the Problem

Chandler (1962), Ansoff (1965) and Andrew (1971) pioneered the empirical and theoretical studies on the concept of strategic management. Initially, these authors viewed strategic management as an important process for formulating strategy in large business firms.
According to a Growth Strategies of Medium-sized firms in Nairobi's research page, Dr. Nelson reported that flexibility, quality products and customer service were principal business strategies used by the business studied to attract customers. Excessive government bureaucracy, heavy taxes and deterioration of infrastructure hindered expansion of medium-sized firms. To expand their businesses and be more competitive, respondents indicated they needed training in: national and international marketing, human relations, accounting and finance and organizational skills. This necessitated my further research in this area.

The problem that motivated my study was to ascertain, whether medium sized businesses in Nairobi apply Strategic management in their day - to- day operations. Business life has become more complex; the enterprises should realize that their chances of success increasingly depend upon systematic skillful, accurate and realistic assessment of their position with respect to their opportunities.

1.3 Objectives of the study

1.3.1 General objective

The general objective was to evaluate state of strategic management practices in the medium enterprises in Nairobi.

1.3.2 Specific Objectives

- To find out how medium sized enterprises in Nairobi formulate, implement and evaluate strategies in uncertain business environment?

- To ascertain whether owners/managers of medium-sized businesses have attended any training sessions on strategic management

- To find out what challenges medium sized organizations face when implementing strategic management?
• To find out whether the owners/managers keep abreast with the latest development in strategic management and information technology so as to have competitive edge over their competitors

• To ascertain whether they do an environmental scan to identify threats and opportunities and evaluate industry analysis.

1.4 Justification of the Study

The research study was important to the medium sized firms in that it helped them understand the need of applying strategic management practices so as to give them a competitive edge.

Economic planners who may require knowledge of personality characteristics and adaptive strategies of successful entrepreneurs, which can be used to identify needs for training, financing and technical assistance, might use results of this study.

The results of this research study will be of importance to future researchers and scholars who can use the output as referral material.

1.5 Scope of the Study

The target population of this study was medium-sized owner-managed manufacturing businesses located in Nairobi, Kenya. The sample was so big that time could not allow me to cover all the businesses however I managed to collect data randomly from the list provided by the Kenya National Chamber of Commerce. The names and addresses of medium-sized businesses located in the city were obtained from The Kenyan National Chamber of Commerce and Industry.
1.6 Definition of terms

Strategy
Strategies are broad overall priorities or directions adopted by an organization: strategies are choices about how best to accomplish an organization's mission (Allison, 1997).

Strategic planning
Cole (1996) defines strategic planning as a major component of the management process, which is concerned with defining ends, means and conduct at every level of organizational life.

Strategic management
The process of managing a firm’s relationship with its environment and consists mainly of strategic and capability planning and the management of the ever changing environment of business (Pearce and Robinson, 1991).

Medium sized enterprises
The meaning of a medium sized enterprise varies from country to country but it is usually based on such criteria as number of employees, size of initial investment and turnover rate. According to the Small business service-an agency of dfi’s research page, a medium sized company must satisfy at least two of the following criteria:

- a turnover of not more than £11.2 million;
- a balance sheet total of not more than £5.6 million;
- not more than 250 employees

A clear definition may be useful in a particular national context but not be practical to attempt a universal definition.

The researcher in this case study used the annual turnover of 11 million to 90 million to categorize the businesses interviewed as medium sized enterprises.
A **population** is the total collection of elements or a large set of observations as a subset about which a sample is chosen to make some inferences (Cooper and Schindler, 2000).

The **sample** is the one examined to make conclusions about the larger population (Hayer, 1997).

Cooper & Schindler (2000) define a **sampling frame** as a list of elements from which the sample is actually drawn and is closely related to the population.

According to Hayer (1997), it is a **statistical determination** of the appropriate sample size and enables the researcher to generalize results to the population.

### 1.7 Chapter Summary

The chapter has given background information to the study. It has highlighted the purpose of the study, the research questions and importance of the study. The purpose of the study is to evaluate strategic management practices in the medium sized firms in Nairobi. The study was guided by the following research objectives:

- How do medium sized enterprises in Nairobi formulate, implement and evaluate strategies in uncertain business environment?
- Have owner/managers of medium-sized businesses attended training on strategic management?
- What are challenges faced when implementing strategic management?
• Do the owner/managers keep abreast with the latest development in strategic management and information technology to be in a better edge than their competitors

• Whether they do an environmental scan to identify threats and opportunities and evaluate industry analysis

The focus on the study was the owners, managers and employees of the medium sized firms in Nairobi. The targeted industries were textile, furniture, hotel, advertising, property, insurance and finance.

The literature review that is in the next chapter, it addresses the importance of situational analysis to medium sized enterprises in formulating and implementing strategies in uncertain business environment.
CHAPTER TWO

2.0 Literature review

2.1 Introduction

This chapter reviews related literature. It addresses the importance of situational analysis to medium sized enterprises in formulating and implementing strategies in uncertain business environment. The chapter looks at a case study of Kenya Wine Agencies Ltd KWAL where strategic management provided solutions to strengthen their business practices.

2.2 The Strategic Management Process in Firms

According to Pearce and Robinson (1991), the strategic management process involves organization, management and the environment as a whole. Through the strategic management process, top management mould and direct their organizations and relate them to the business environment to improve their performance. To understand the strategic management process and how it works, a general knowledge of organization, its internal and external environments and management is required. The steps involved in strategic management are:

a) Strategy Formulation

In the strategic management process, the strategy formulation phase involves the development of long term strategic plans for effective management of environmental opportunities and threats, based on a firm’s strengths and weaknesses. The formulation of strategy includes defining the firm’s mission, targeted objectives, developing strategies, and establishing policy guidelines Pearce and Robinson, (1991).
b) Strategy Implementation
In the strategy implementation phase, the firm is required to translate its strategies and policies into action through the development of specific budgets and procedures. In this phase, the necessary changes are also made within the organizational culture, structure (divisions, departments, and products), resources (capabilities) and the relationships between these elements and the managerial levels (the top, middle and lower levels of the organization Pearce and Robinson, (1991)

c) Evaluation and Control
The strategic evaluation and control is the final phase of the strategic management process. The strategic evaluation is concerned with obtaining information about the strategic plans and performance, and comparing this information with the targeted objectives. Finally, the strategic control involves taking the necessary corrective measures to bring activities into conformity with the strategic plans.

Wheelen and Hunger (1996) pointed out that, the increased importance of strategic management process to organizations resulted from the need for these organizations to response to increasing environmental turbulence; Organizations are dependent on their environment.

2.3 The Importance of Situational Analysis to Companies Formulating and Implementing Strategies in Uncertain Business Environment

Courtney, Kirkland and Viguerie (1997) stressed the importance of situational analysis to companies formulating and implementing strategies in uncertain business environment. According to them, all strategy making begins with some form of situation analysis. They emphasized that to cope with different levels of uncertainty, organizations need different analytical approach to determine the best possible strategies.
2.4 KENYA WINE AGENCIES LTD (KWAL)

Before 1969, there was little activity in the wines and spirits industry. The Traditional liquor and Kenya breweries used to dominate the alcoholic beverages industry. That does not mean that there were no other companies in business in the same industry. Among those companies, which co-existed in this market, were Saccon and Speed and Clydon Cellars both being local companies in the business of importing and distribution of wines and spirits.

In the year 1969, the government acquired and merged these two companies to a new company currently trading as Kenya Wine Agencies ltd. (KWAL)
This move by the government created a monopolistic state in this market due to the financial base it introduced to KWAL as any other parastatal. For about 20 years up to 1990 KWAL like any other company in the East African region enjoyed a relatively stable state of the economy with no or little observable changes of the market or competition.

2.4.1 Analysis
2.4.1.0 Ownership

KWAL is 99% owned by the government through Industrial and Commercial Development Corporation (ICDC), and ICDC investment company ltd. The rest of the shareholding was in hands of few other ex-directors.

2.4.1.1 Core Business

KWAL’s major line of business was and still remains that of procurement, production and selling of wide range of quality wines and spirits. KWAL has a mission statement that is aimed at enriching customers ‘pleasure and gearing towards market leadership.
2.4.1.2 The Era of turbulence and changes to date

In the early 1990’s the wines and spirits industry was liberalized to allow for importation, distribution and distillery of wines and spirits. All along Gilbeys East Africa who was in the same business could only import and sell the products to KWAL who then distributed to the consumer market through selected distributors.

The liberalization of this market resulted in turbulence for KWAL, with an already turbulent world in this industry. KWAL had existed for all those years being a very profitable business but the removal of government protection by liberalizing the liquor industry was a major blow that KWAL had to contend with and develop strategies to survive in a competitive market.

In 1994, International Distillers Kenya Ltd (IDK) in which KWAL had 18% shareholding was formed to take over operations of Gilbeys East Africa. IDK engaged itself in importation, distribution as well as distillery with the liberalized market they had the liberty to either sell their products to KWAL or sell directly to the market. However KWAL had an advantage over (IDK) due to an established distribution network as well as foreign supplier’s confidence over its ability to push their products better in the market. These facts worked well for KWAL strategy to convince IDK into a joint Venture for distribution of products for the two companies.

This was the first step to ensure that KWAL does not loose its image to the public and continued to dominate the market. In the same year a joint venture between KWAL and IDK founded the Kenya Liquor Distributors ltd (KLD) a company engaging in the distribution of wines and spirits. This was a result of a memorandum of understanding that the two companies should only be involved in importation and manufacturing only. KLD therefore was to buy and sell products of both KWAL and IDK.

In 1997, a realignment of some foreign supply firms in the United Kingdom yielded a new company in the name of Grandmetropolitan. This was later followed in 1998 by the
establishment of United Distillers and Vintners Kenya Ltd (UDV), which took over operations of IDK in Kenya to distribute the products of Grandmetropolitan. This was a move by Grandmetropolitan to have wider and more focused representation in Kenya. This merger in Europe saw KWAL loose hot selling brands like Johnnie Walker and Gordons Dry Gin to UDV, something that seriously impacted on KWAL business for that year.

After the withdrawal of UDV from KLD (the distributing company) in 1998, the joint Venture eventually had to die. At the same time UDV formed a distribution company in the name of Tibbet & Britten but still continued to use KWAL distributors to reach the market.

2.4.1.3 Competition

In mid and late 1990’s a number of the other changes in the market forced KWAL to continuously monitor and manage change.

First and foremost was introduction of very cheap brands in the market commonly dubbed as local brews? Secondly was the increasing menacing domination of East Africa Breweries with the acquisition of KWAL major competitor, UDV Kenya Ltd? Thirdly, continued decline in the economy and lower levels of disposal income reduced the consumption of alcoholic beverages thereby placing the non-alcoholic beverage industry as the biggest threat to KWAL. Lastly was the increasing number of competitors in the same industry that included the following:

a) World Wines
b) Wine masters
c) Joles ltd
d) London Distillers
e) Amarios
f) Keroche industries
A major consideration in this competition was the disposal of the 18% shareholding in UDV Ltd, which had neutralized the effect of UDV-KWAL competition, with a likelihood of UDV brands enjoying better well-established distribution network already existing for the brewers (EABL).

2.4.2 Strategic responses by KWAL towards these changes

From the forgoing discussion, the following conclusions could be drawn: -

- That KWAL since early 1990’s was exposed to competition.
- That mergers and acquisitions within and outside Kenya impacted significantly on the local wine and spirits industry.
- That there is a range of new market entrants who have joined the fray.
- That the recent acquisition of UDV by East African Breweries and consequent loss of the shares owned in the competing firm posses yet another threat to the existence and sustainable growth of KWAL. The ailing economy is changing the once perceived non-competitors (the non-alcoholic beverage companies) into real threat to the growth and stability of the liquor industry.

2.4.3 The situational analysis and how KWAL formulated and implemented strategies in the uncertain business environment

A) Distribution and the joint venture

Right from the onset KWAL seemed strategically set to survive and more so when it is considered vis a vis its competitive edge outlined above. Among the conspicuous strategies undertaken since onset of liberalization can be identified. It is worthwhile noting that as much as they have been developed to serve the company for the better, some have had retrogressive impact on company performance.
In 1994 on realizing that IDV was sticking out its neck to go into the business full blast, it decided to protect its image in the market. First giving consumers and then its established distributors the impression that it dominated this market such that the entry of IDK could not be felt or noticed.

This had a long-term loyalty effects on the consumption of KWAL brands. However, this seemed to have been a double-edged sword in the sense that the effect of the confusion as to who owns which brands is still quite prevalent in the market today. A good example is Smirnoff Vodka drink, which many people even today think that it is a KWAL product. But in the overall it can be argued that this arrangement, where they formed a joint venture provided KWAL with ample time to reorganize themselves and accept the reality that the market was liberalized and they had to manage their affairs in a competitive way, so as to bring in the business touch required in a competitive market.

B) Staffing

In the wake of all these changes, cost cutting is imperative if a company is to remain competitive and profitable. KWAL has since undertaken several retrenchment exercises with first one coming in the year 1994 at the time of joint venture. A good number of employees were rendered redundant and the organization was leaned to allow efficiency and cut staff costs, which was overburdening the company.

In 1997, KWAL overhauled its management structure and realigned the organization to accommodate a more suitable functional based organizational structure with more emphasis being placed on sales and marketing functions. This was closely followed by a human resource audit and business processes re-engineering exercise in 1998, which saw the company, reduce its workforce further by 25%. This was then followed closely yet again by computerization program, which enhanced efficiency in the already re-engineered processes thereby improving on the value delivery to the consumer. However the delay in the computerization of the company processes could be construed as a
management failure to move on time to compete effectively with other companies of equal ranking.

The disadvantage with this was that the information produced was neither timely nor accurate, and therefore became a feature that could not be accommodated anywhere in a competitive environment.

In the year 2001 further retrenchment of senior managers and the widening of the span of control of those left behind was a move whose effects have only been felt on the reduction of costs alone and evaluation on the impact on other performance indicators is yet to be judged.

C) Group structure expansion and divesture programs

One of the major concerns of any organization is whether it can create value for its shareholders. One simple way to achieve this is by engaging only profitable business. Other ways of achieving this is through competitive pricing, sales promotion and cost cutting. A major drawback towards this goal is the prohibitive costs of raw materials. On realizing this KWAL decided to establish two farm projects to aid them in sourcing of raw materials specifically grapes and paw paw juice at Yatta, Matuu and Marigat respectively. Until the year 2000, the projects were run by KWAL with proper separation of profitability of the farming projects.

In the recent past local companies in Kenya have endeavored in discarding non-core business activities through out sourcing and concentrating on the core business. Kenya Wine was not left behind and in year 2000, a strategic decision to offload the agricultural investment activities from KWAL has clearly shown that the two farming projects were non profitable.

However to sustain the two projects a company in the name of Yatta vineyards ltd was registered to enable diversification of the farm activities and not limit them to grapes and
paw paws only. This has started yielding dividends as the farm is now profitable and continues to be a valuable source of raw materials to KWAL. At around the same time when Yatta vineyards were registered, a second company in the name of KWAL Holdings E. Africa Ltd was registered to take over the investments in UDV and Uchumi. This left KWAL with the primary business of manufacturing, importing and distributing wines and spirits, a move that has started bearing dividends as KWAL is exhibiting a stable sales volume from year to year with possibilities of growth as the new arrangement takes root. One major mission that KWAL is yet to explore, as a move to cut costs, is abandoning the distribution role and contract out facilities to be left focusing on the product and how it can do better.

At the same time KWAL is embarking on an aggressive expansion campaign with much of the focus now being on the export market on realization that the Kenyan market is shrinking. A remarkable step has been the recent opening of a depot in Kampala Uganda to further the interests in the export market.

**D) Product Diversification, Differentiation and Brand Portfolio Development**

The competition is stiff with the market having many players with similar products of high and low quality as well as high and low cost. The mass-market strategy
(Production and packaging of products into containers that make them available to majority of commoners in the market) is already bearing fruits.

The increased persuasion of foreign suppliers to enter into supply and representation agreements with KWAL in the local market is a major leap towards developing a good brand portfolio that will increase a goodwill and image of the company. Additionally the contract packaging of other company’s products is yet another move aimed at generating additional income. However it must be emphasized that contract packaging is quite costly, as the company has to acquire expensive production line machinery, whose payback period is too long. This has beaten the logic behind the introduction of contract packaging as a strategic move.

2.5 Conclusion

There are still numerous opportunities and threats in this industry and KWAL has to engage itself in thorough evaluative techniques and come out strongly with strategies, which show that they are proactive rather than reactive, if it does wish to maintain its market share.

2.6 Chapter Summary

From the literature review it appears that the trend is still towards the systematic analysis approach to strategic management, the analytical emphasis has instead moved from the external environment to internal environment of organizations. In this period, the internal environment of an organization is viewed to be the best starting point for formulating strategy, In particular its resources and distinctive capabilities. The next chapter gives the research methodology.

The researcher in this case study used the annual turnover of the businesses interviewed to categorize them as medium sized enterprises.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This study aimed at highlighting the impact of strategic management implementation on medium-size enterprises in Nairobi.

A medium sized enterprise varies from country to country but it is usually based on such criteria as number of employees, size of initial investment and turnover rate. According to the Small business service-an agency of dfi’s research page, a medium sized company must satisfy at least two of the following criteria:

- a turnover of not more than £11.2 million;
- a balance sheet total of not more than £5.6 million;
- not more than 250 employees

A clear definition may be useful in a particular national context but not be practical to attempt a universal definition. The researcher in this case study used the annual turnover of 11 million to 90 million to categorize the businesses interviewed as medium sized enterprises.

In this chapter the research process used in the study is shown, the research design, population and sample size, data collection methods, research procedure, and data analysis and presentation methods.

3.2 Research Design

The research design used constituted a blue print for the collection, measurement and the analysis of data. The study was causal since it was trying to establish whether medium sized enterprises applied strategic management tools in their day-to-day operations. The
methodology used in this study was the survey method. This methodology appeared best suited to identify the complexities and details of entrepreneurial strategy formulation and implementation. The case study gave a clear picture of how different organizations have responded strategically to survive the unforeseen problems in their respective sectors. The findings of this research will help in providing information, which could be used for further research on the same topic in future.

3.3 Population and Sample Size

3.3.1 Population

The population of study constituted the owners, managers and employees of medium-sized owner-managed firms located in Nairobi, Kenya. The total population will be Kenya’s 3000 medium sized businesses of which 300 are in Nairobi. The names and addresses of medium-sized businesses located in the city for the study were obtained from The Kenyan National Chamber of Commerce and Industry.

3.3.2 Sample Size

The sample size was determined by using the probability sampling technique. This approach divides the population into several groups called strata and simple random sampling was conducted within each group. The grouping was done according to distinct sectors like pharmaceuticals, furniture, beauty and others. In simple random sampling, a random sample was selected in such a way that every case in the population had an equal chance of being included in the sample. In the case of medium sized enterprises, the sample of the firms in Nairobi was 300 in number. The sample size was 30 medium-sized firms in Nairobi, which is 10% of the 300 medium sized firms in Nairobi.
3.3.3 Sampling

i) Sample Frame

The sample frame constituted of the owners of medium sized enterprises, managers and employees within Nairobi.

ii) Sample Technique

Probability sampling technique was used for selection based on the concept of random selection as a controlled procedure. It assures that each population is given a nonzero chance of selection. This technique was used because of its lower cost and does have greater accuracy and greater speed of data collection.

3.3.4 Data Collection Methods

The data involved both primary and secondary data.

- Primary data was derived from questionnaires distributed to the business owners and managers and employees of the medium sized enterprise. The questionnaire contained both open-ended and specific responses to a broad range of questions. Most of the questions focused on strategic management practices.

Follow-up was done through a research assistant who assisted in administering the questionnaires.

- Secondary data was gathered from library material, company journals and reports, media publications and Internet materials covering strategic management processes, concept of strategy and approaches to strategic management.
3.4 Research Procedures

The researcher

- Designed the questionnaire based on the research questions in the study. The questionnaire contained open-ended and specific responses to a broad range of questions. Most of the questions were focused on specific behaviors and aspects of management strategies, entrepreneurial strategy formulation and implementation of medium sized enterprises.

- Conducted a pilot test of questionnaire to two of business owners in Nairobi central business district and two managers. The purpose of the pilot test was to enable the researcher review and revise the questionnaire where necessary.

- Administered the questionnaire to the respondents, after booking appointments earlier and scheduling for the time to appear. This was mainly done through the phone.

- And also used Observation while conducting the interview, there were some points, which were observable depending on the position.

3.5 Data Analysis methods

I used the questionnaires that were coded prior to administration to get descriptive statistics and also simple statistics to analyze data, which was first entered in Microsoft excel before being converted to statistical package for social science (SPSS) program. SPSS was used to analyze the data collected and the results are presented in form of tables and pie charts for ease of interpretation.
3.6 Chapter Summary

This chapter covered the research methodology, research design, methods that were used to collect the data, sample size, data collection methods, research procedures and methods used to analyze the data the forms in which the data was presented.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The previous chapter outlined the research methodology followed in this study. This chapter presents the results and findings of the study. A total of 30 medium-sized firms were involved in the study of which only 26 of them responded. This was to represent 10% of the 300 medium sized firms in Nairobi.

4.2 Data editing, coding and analysis

The completed questionnaires were checked, edited and coded immediately after collection from the field. The coding process was necessary in order to facilitate data processing and analysis by computer. The analysis was carried out using the statistical package for social science (SPSS).

The results of the study will be presented in three parts. The first part will present a brief overview of the business studied. The second part will address the findings on the objectives of the study as a whole, and the third part will address other findings of the study.

4.3 Overview of the businesses studied

The businesses’ data was sought from many types of industries as shown on the Table 4.1, the number of employees in the firms -Table 4.2, mission statement of the firm-Table 4.3, and finally training on strategic management -Table 4.4/Table 4.5.

4.3.1 Industry sector

Industry sectors are geographic concentrations of competing, complementary, or interdependent firms and industries that do business with each other and/or have common needs for talent, technology, and infrastructure. The type of businesses interviewed were
Tourism, Beauty, Pharmaceuticals, Supermarkets, Distributorships, General Merchandise, property and others.

From the table 4.1 we can see that the majority of the respondents –61.5%, did other businesses apart from the ones that were listed. Examples of the other businesses interviewed were Groceries, mobile phone dealers, cyber cafes and fast food suppliers.

**Table 4.1: Industry sectors**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>1</td>
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<td>3.8</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>2</td>
<td>7.7</td>
<td>7.7</td>
<td>11.5</td>
</tr>
<tr>
<td>Supermarket</td>
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<td>3.8</td>
<td>3.8</td>
<td>15.4</td>
</tr>
<tr>
<td>Distributorship</td>
<td>3</td>
<td>11.5</td>
<td>11.5</td>
<td>26.9</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>1</td>
<td>3.8</td>
<td>3.8</td>
<td>30.8</td>
</tr>
<tr>
<td>Property</td>
<td>2</td>
<td>7.7</td>
<td>7.7</td>
<td>38.5</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>61.5</td>
<td>61.5</td>
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</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

**4.3.2 Number of employees in the firm**

The size of a firm was categorized by number of employees.
Table 4.2 shows that 30.8% of the medium-sized firms had 0-10 employees, 38.5% had 11-30 employees, 23.1% had 31-60 employees were as 7.6% had over 120 employees.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<tr>
<td>Valid</td>
<td>0-10</td>
<td>8</td>
<td>30.8</td>
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</tr>
<tr>
<td></td>
<td>11-30</td>
<td>10</td>
<td>38.5</td>
<td>69.2</td>
</tr>
<tr>
<td></td>
<td>31-60</td>
<td>6</td>
<td>23.1</td>
<td>92.3</td>
</tr>
<tr>
<td>Over</td>
<td>120</td>
<td>2</td>
<td>7.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>26</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.3.3 The Mission Statement

The mission statement is a statement of the role, or purpose, by which an organization intends to serve its stakeholders. It describes what the organization does (current capabilities), whom it serves (stakeholders), and what makes the organization unique (justification for existence).

Table 4.3 shows that 92.3% of the firms had mission statements, which directed them to meet their targeted objectives. The 7.7% did not have a mission statement.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
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<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>24</td>
<td>92.3</td>
<td>92.3</td>
</tr>
<tr>
<td></td>
<td>NO</td>
<td>2</td>
<td>7.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

28
4.3.4 Strategic Management Training

Strategic management training is crucial when it comes to seeking better strategies to expand ones business i.e. to be at a better edge than competitors and to cope with the ever-changing environment.

The table 4.4 analyzed whether employees of the various organizations attended strategic management training; 46.2% said ‘Yes’ while 53.8% said ‘No’

**Table 4.4: Training**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<tr>
<td>Valid Yes</td>
<td>12</td>
<td>46.2</td>
<td>46.2</td>
<td>46.2</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>53.8</td>
<td>53.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Out of those who had attended training; 38.5% had attended it for between 0-3 Years, 3.8% had attended between 3-5 years and 3.8 % had attended between 5-7 years as seen in the table below.

**Table 4.5: The last time of attending training**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>0-3 Yr</td>
<td>10</td>
<td>38.5</td>
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</tr>
<tr>
<td></td>
<td>3-5 Yr</td>
<td>1</td>
<td>3.8</td>
<td>42.3</td>
</tr>
<tr>
<td></td>
<td>5-7Yr</td>
<td>1</td>
<td>3.8</td>
<td>46.2</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
<td>14</td>
<td>53.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
4.4 Main Results and Findings

In order to understand the role the firms' play in strategic management formulation and implementation specific questions were posed to respondents on the kind of strategic plans made, persons involved in formulation of the plans, whether they formulated strategies that were envisioned in the policies they adopted in their firms, whether comparison of strategic plans and targeted objectives was done, environmental turbulence, environmental scanning, ranking of strategic management, importance of strategic management to owner/staff, future aspirations of strategic management, challenges/barriers experienced when implementing strategic management, and whether keeping abreast with the latest developments on strategic management placed them at a better position than their competitors.

4.4.1 In Formulation stage: the Short term or long-term strategic plans

The kind of strategic management plans made whether long-term or short-term show when the firms compare their strategic plans with their targeted objectives. If targets have not been met by the previous strategic plans the approach is changed and better plans are formulated and implemented.
Table 4.6 analyzed whether organizations make short or long term strategic plans for effective management of environmental opportunities; 53.8% make short term plans, 26.9% make long term plans and 19.2% make both short and long term plans.

Table 4.6: Short and long term plans.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term</td>
<td>7</td>
<td>26.9</td>
<td>26.9</td>
<td>26.9</td>
</tr>
<tr>
<td>Short-term</td>
<td>14</td>
<td>53.8</td>
<td>53.8</td>
<td>80.8</td>
</tr>
<tr>
<td>Both</td>
<td>5</td>
<td>19.2</td>
<td>19.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

As Table 4.7 shows, 73.1% were involved in formulation of plans always but 3.8% said they are never involved, 11.5% stated often and the other 11.5% stated sometimes.

Table 4.7 Involvement in formulation of the plans.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Always</td>
<td>19</td>
<td>73.1</td>
<td>73.1</td>
<td>73.1</td>
</tr>
<tr>
<td>Often</td>
<td>3</td>
<td>11.5</td>
<td>11.5</td>
<td>84.6</td>
</tr>
<tr>
<td>Sometimes</td>
<td>3</td>
<td>11.5</td>
<td>11.5</td>
<td>96.2</td>
</tr>
<tr>
<td>Never</td>
<td>1</td>
<td>3.8</td>
<td>3.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.4.2 Envisioned policies

Visualizing what policies to adopt in an organization is very important that is why it is important in the stage of formulating strategies
Table 4.8 below was trying to establish whether the organization formulate strategies that are envisioned in the policies that organization adopt; 100% of the respondents’ interviewed said ‘Yes’.

Table 4.8 Envisioned policies

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.3 In the Implementation stage: targeted objectives

In strategic management implementation a firm is required to compare the strategic plans and the targeted objectives. This is where necessary changes are made within the organization culture or structure.

Table 4.9 was trying to establish whether comparison is done; between strategic plans and target objectives, 100% of the respondents said ‘Yes’.

Table 4.9 Comparison of Strategic Management and Targeted objectives.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.4 Environmental turbulence (e.g. climate, inflation and foreign exchange) and how it affects the supply of resources

This helps the firm to scan the environment for threats and opportunities.
Table 5.0 was analyzing whether turbulence affects the supply of resources; 96.2% of the respondents said yes while 3.8% said No.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>25</td>
<td>96.2</td>
<td>96.2</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>1</td>
<td>3.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>26</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.1 analyzed whether organizations do environmental scanning to cope with competitors, identify threats and opportunities and evaluate industry analysis; 73.1% of those interviewed said yes and 26.9% said No.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
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<td>19</td>
<td>73.1</td>
<td>73.1</td>
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<tr>
<td></td>
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<td>7</td>
<td>26.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>26</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.4 Other Findings

Respondents were required to give opinions on strategic management as a practice and indicate the challenges encountered while implementing strategies.
Table 5.2 shows how organization staff ranked strategic management practice as an aspect; 42.3% said excellent, 34.6% said good, 19.2% said fair, 3.8% said below average.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>11</td>
<td>42.3</td>
<td>42.3</td>
<td>42.3</td>
</tr>
<tr>
<td>Good</td>
<td>9</td>
<td>34.6</td>
<td>34.6</td>
<td>76.9</td>
</tr>
<tr>
<td>Fairly</td>
<td>5</td>
<td>19.2</td>
<td>19.2</td>
<td>96.2</td>
</tr>
<tr>
<td>Below Average</td>
<td>1</td>
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<td>3.8</td>
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<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.3 was analyzing whether management thinks its important for their staff to learn or update themselves on strategic management, 92.3% said yes while 7.7% said No.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>24</td>
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<td>92.3</td>
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<tr>
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<td>2</td>
<td>7.7</td>
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<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 5.4 analyzed whether organizations’ staffs think strategic management can improve the organization; 100% of those interviewed said Yes.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<tbody>
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<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

On analyzing the future aspirations and prospects as far as information technology strategic management practice is concerned; 92.3 % said place Information Technology
and Strategic Management as an important aspect while 7.7% said they are indifferent on IT and SM. Table 5.5 showed this.

Table 5.5 Future aspirations and Prospects of Information Technology and Strategic Management

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Place IT and SM as an important aspect</td>
<td>24</td>
<td>92.3</td>
<td>92.3</td>
<td>92.3</td>
</tr>
<tr>
<td>Indifferent on IT and SM</td>
<td>2</td>
<td>7.7</td>
<td>7.7</td>
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<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.6 analyzed the importance of Strategic Management in organization, 88.5% said it’s important while 11.5% said it’s not important.

Table 5.6 Importance of strategic management

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>23</td>
<td>88.5</td>
<td>88.5</td>
<td>88.5</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>11.5</td>
<td>11.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.5.1 Challenges faced when implementing strategic management process in the organization.

Organizations are dependents of the environment so they must know how to cope with the challenges that come with it.
Table 5.7 analyzed whether organizations experience any challenges when implementing Strategic management processes; 88.5% said they experience challenges while 11.5% said they do not experience any challenges.

Table 5.7 Challenges Faced when implementing strategic management

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>23</td>
<td>88.5</td>
<td>88.5</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>3</td>
<td>11.5</td>
<td>100.0</td>
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<tr>
<td>Total</td>
<td></td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.8 established the kind of challenges the organizations face when implementing Strategic Management, 50.0% said they face high capital investment, 30.8% face higher competition among business rivals, 11.5% face employee empowerment and 7.7% face other challenges.

Table 5.8 Different Challenges posed in the organization

<table>
<thead>
<tr>
<th>Valid</th>
<th>Higher competition among business rivals</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Higher competition among business rivals</td>
<td>8</td>
<td>30.8</td>
<td>30.8</td>
<td>30.8</td>
</tr>
<tr>
<td></td>
<td>Employee empowerment</td>
<td>3</td>
<td>11.5</td>
<td>11.5</td>
<td>42.3</td>
</tr>
<tr>
<td></td>
<td>High capital investment</td>
<td>13</td>
<td>50.0</td>
<td>50.0</td>
<td>92.3</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>2</td>
<td>7.7</td>
<td>7.7</td>
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<td></td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
4.5.2 Competitors and Strategic Management

The researcher tried to find out whether organizations feel at a better edge than their competitors because implementing strategic Management.

Table 5.9 established whether some organizations are better placed than their competitors because of better strategies used in their organizations; 50.0% said yes, 42.3% said sometimes and 7.7% said no.

Table 5.9 Use of strategic management versus Competitors

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>13</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>2</td>
<td>7.7</td>
<td>57.7</td>
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<tr>
<td></td>
<td>Sometimes</td>
<td>11</td>
<td>42.3</td>
<td>100.0</td>
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<tr>
<td>Total</td>
<td></td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.3 Documentation

Documenting strategic plans for an organization is very important because the owner/manager can make specific budgets and procedures. If in a certain year targets are not met the approach is changed for the following year, this can only be done if the organization has documented plans/target and performance appraisals.
From the table 6.0 below we can see that 53.8% did not have documented strategic plans while 42.3% did.

**Table 6.0 Documentation of strategic plans**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>11</td>
<td>42.3</td>
<td>42.3</td>
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<tr>
<td></td>
<td>No</td>
<td>14</td>
<td>53.8</td>
<td>53.8</td>
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<td></td>
<td>4</td>
<td>1</td>
<td>3.8</td>
<td>3.8</td>
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<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**4.5.4 Annual turnover**

This helps one to know how big the organization is.
From the table 6.1 we can see that 57.7% of the firms interviewed did not want to disclose their annual turnover, however the ones who did revealed reported 7.7% got 71-90M, 7.7% with 11-20M, 3.8% got over 90M, 7.7% got 21-40M and 15.4% got 41-60M.

<table>
<thead>
<tr>
<th>Table 6.1 Annual turnover of the organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>Valid 71-90 M</td>
</tr>
<tr>
<td>11-20 M</td>
</tr>
<tr>
<td>Over 90 M</td>
</tr>
<tr>
<td>21-40M</td>
</tr>
<tr>
<td>41-60M</td>
</tr>
<tr>
<td>Not answered</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

4.6 Chapter Summary

This Chapter has presented the results of data analysis and their interpretations. The next chapter provides discussions, conclusion and recommendations of the study.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a detailed data presentation, analysis and discussion. The following format was used to present, analyze and discuss the raw data collected.

5.2 Summary

A medium sized enterprise varies from country to country but it is usually based on such criteria as number of employees, size of initial investment and turnover rate. According to the Small business service-an agency of dfi’s research page, a medium sized company must satisfy at least two of the following criteria:

- a turnover of not more than £11.2 million;
- a balance sheet total of not more than £5.6 million;
- not more than 250 employees

A clear definition may be useful in a particular national context but not be practical to attempt a universal definition. The researcher in this case study used the annual turnover of 11 million to 90 million to categorize the businesses interviewed as medium sized enterprises.

The purpose of the study was to ascertain whether medium sized businesses in Nairobi apply Strategic management in their day - to- day operations. The study was important because business life has become more complex; the enterprises should come to realize that their chances of success increasingly depend upon systematic skilful, accurate and realistic assessment of their position with respect to their opportunities. This seen previously in the case study for KWAL Agencies.
5.3 Discussions of findings

5.3.0 Industry sector

Industry sectors are geographic concentrations of competing, complementary, or interdependent firms and industries that do business with each other and/or have common needs for talent, technology, and infrastructure. Majority of the respondents – 61.5%, did other businesses apart from the ones were in the list i.e. tourism, pharmaceutical, supermarket, distributorship, general merchandise and property. Examples of the other businesses interviewed were Groceries, mobile phone dealers, cyber cafes and fast food suppliers.

5.3.1 Number of employees in the firm

The size of a firm was categorized by number of employees. From the respondents 30.8% of the medium-sized firms had 0-10 employees, 38.5% had 11-30 employees, 23.1% had 31-60 employees were as 7.6% had over 120 employees.

5.3.2 Mission Statement

The mission statement is a statement of the role, or purpose, by which an organization intends to serve its stakeholders. Describes what the organization does (current capabilities), whom it serves (stakeholders), and what makes the organization unique (justification for existence). Out of the firms interviewed 92.3% of them had mission statements, which directed them to meet their targeted objectives. The 7.7% did not have a mission statement.
5.3.3 Strategic Management Training

Strategic management training is crucial when it comes to seeking better strategies to expand one's business i.e. to be at a better edge than competitors and to cope with the ever-changing environment. The study sort to find whether employees of the various organizations attended strategic management training 46.2% said 'Yes' while 53.8% said 'No'. Out of those who had attended training 38.5% had attended it for between 0-3 Years, 3.8% had attended between 3-5 years and 3.8% had attended between 5-7 years.

5.3.4 In Formulation stage: the Short term or long-term strategic plans

The kind of strategic management plans made whether long-term or short-term show when the firms compare their strategic plans with their targeted objectives. If targets have not been met by the previous strategic plans the approach is changed and better plans are formulated and implemented. The study sort whether organizations makes short or long term strategic plans for effective management of environmental management of environmental opportunities; 53.8% make short term plans, 26.9% make long term plan and 19.2% make both short and long term plans.

5.3.5 Involvement in the formulation of plans

73.1% were involved in formulation of plans always but 3.8% said they are never involved, 11.5% stated often and the other 11.5% stated involved sometimes.

5.3.6 Envisioned policies

Visualizing what policies to adopt in an organization is very important that is why it is important in the stage of formulating strategies. The study was trying to establish whether the organization formulate strategies that are envisioned in the policies that organization adopt; all the respondents said 'Yes'.
5.3.7 In the Implementation stage: targeted objectives

In strategic management implementation a firm is required to compare the strategic plans and the targeted objectives. This is where necessary changes are made with the organization culture or structure. All the respondents were interviewed compared strategic plans and target objectives.

5.3.8 Environmental turbulence (e.g. climate, inflation and foreign exchange) and how it affects the supply of resources.

This helps the firm to scan the environment for threats and opportunities. The study sort of find out whether turbulence affects the supply of resources; 96.2% of the respondents said yes while 3.8% said No.

5.4.0 Environmental scanning

The respondents were asked to state whether organizations do environmental scanning to cope with competitors, identify threats and opportunities and evaluate industry analysis; 73.1% of those interviewed said yes and 26.9% said No.

5.4.1 Other Findings

Respondents were required to give opinions on strategic management as a practice and indicate the challenges encountered while implementing strategies.

5.4.1.1 Importance of Staff updates on Strategic Management.

Majority i.e. 92.3% of the respondents thought that it was important for their staff to learn or update themselves on strategic management, while 7.7% said No.
5.4.1.2 Ranking of strategic management practice

Asked how organization staff ranked strategic management practice as an aspect; 42.3% of the respondents said excellent, 34.6% said good, 19.2% said fair, 3.8% said below average.

5.4.1.3 Importance of Staff updates on Strategic Management.

Majority of the respondents i.e. 92.3% were for the view that it was important for their staff to learn or update themselves on strategic management, while 7.7% said No.

5.4.1.4 Strategic Management Improvement

All the respondents thought that strategic management could improve the organization.

5.4.1.5 Future aspirations and Prospects of Information Technology and Strategic Management

On analyzing the future aspirations and prospects as far as information technology strategic management practice is concerned; 92.3% of the respondents placed Information Technology and Strategic Management as an important aspect while 7.7% said they are indifferent on IT and SM. Table 5.5 showed this.

5.4.1.6 Challenges faced when implementing strategic management process in the organization.

Organizations are dependents of the environment so they must know how to cope with the challenges that come with it. The study sort to establish whether organizations experience any challenges when implementing Strategic management processes; 88.5% said they experience challenges while 11.5% said they do not experiences any challenges.
5.4.1.7 Different Challenges posed in the organization

The study also established the different kinds of challenges the organizations face when implementing Strategic Management, 50.0% said they face high capital investment, 30.8% face higher competition among business rivals, 11.5% face employee empowerment and 7.7% face other challenges.

5.4.1.8 Competitors and Strategic Management

This tried to find out whether organizations feel at a better edge than their competitors because implementing strategic Management. The study sort to establish whether some organizations are better placed than their competitors because of better strategic currently in use in the organization; 50.0% of the respondents said yes, 42.3% said sometimes and 7.7% said no.

5.4.2 Documentation

Documenting strategic plans for an organization is very important because the owner/manager can make specific budgets and procedures. If in a certain year targets are not meet the approach is changed for the following year, this can only be done if the organization has documented plans/target and performance appraisals. 53.8% of the respondents did not have documented strategic plans while 42.3% did.

5.4.2.1 Annual turnover

This helps one to know how big the organization is. 57.7% of the firms interviewed did not want to disclose their annual turnover, however the ones who did revealed reported the following-7.7% got 71-90M, 7.7% with 11-20M, 3.8% got over 90M, 7.7% got 21-40M and 15.4% got 41-60M
5.5 Conclusion

The problem that motivated my study was to ascertain, whether medium sized businesses in Nairobi apply Strategic management in their day - to- day operations. The study was guided by the specific objectives below: -

- To find out how medium sized enterprises in Nairobi formulate, implement and evaluate strategies in uncertain business environment?

- To ascertain whether owners/managers of medium-sized businesses have attended any training sessions on strategic management

- To find out what challenges medium sized organizations face when implementing strategic management?

- To find out whether the owners/managers keep abreast with the latest development in strategic management and information technology so as to have competitive edge over their competitors

- To ascertain whether they do an environmental scan to identify threats and opportunities and evaluate industry analysis.

Firms were categorized in order to find out how big they were. It was seen that more than half of the respondents employed 30 or below people to work for them. These businesses did this to remain competitive and profitable, as this was a cost cutting aspect.

Majority of entrepreneurs implemented strategic management as they had a mission statement for their firms. This mission enables them to meet their targeted objectives. The Mission provided the basis for setting the necessary strategies to achieve the company’s purpose.

More than half i.e. 53.8% had not attended any training. For those who had attended 38.5% had attended training in the last 0-3 years, 3.8% between 3-5 years and 3.8% had attended between 5-7 years. From this we could see that the respondents did not have time for training. Also they had employed unskilled laborers who did manual work and
did not see the importance of training them; this is what some answer in the open-ended questions.

When formulating strategic management plans the more than half of the respondents made short-term strategic plans because of the uncertainty of the environment they worked in. Less than the other half made long-term strategic plans while the other few preferred to make both short and long term strategic management plans.

Many respondents who were the owner/manager of the businesses and they made all the plans for their businesses. It shows that the range of delegating responsibilities was very minimal.

100% of the respondents formulated plans that were envisioned in the policies they adopted. And nearly all the respondents were affected by environmental turbulence, i.e. climate, inflation and foreign exchange. They also scanned the environment for threats and opportunities. Respondents felt that, strategic management was a very important aspect with all of them sharing this view. 92.3% felt that their staff should learn and update themselves on strategic management practice. The other 7.7% did not support employee training. 42.3% ranked strategic management as excellent 34.6% as good. This shows that majority supported strategic management practice and it would improve their businesses.

The most crucial factor was high cost of investments. 50% of the respondents stated this as the biggest challenge when implementing strategic management. This was followed by high competition among business rivals with 30.8% sharing this view.

All of the respondents were in the view that strategic management and information technology would improve their organizations. Majority of them were for the view that strategic management would place them at a better edge than their competitors.
More than half of the respondents did not have documented strategic management plans; this showed that they did not make specific budgets and procedures.

5.6 Recommendations

Owner/managers of the medium sized business in Nairobi need to have documented strategic plans. When evaluating the strategic plans one can see whether the targeted objectives have been met. If the objectives have not been meet corrective measures are taken to bring activities into conformity with strategic plans.

Medium sized businesses should adapt the state-of-the-art technology so as to be at a better competitive edge as opposed to their business rivals.

The owner-managers of the middle-sized firms might consider delegating authority to professionals who would either take charge of the internal business operations or take charge of the external contacts and marketing functions. They should also consider employing commission-based sales representatives to assume the principal burden of contacting customers. The owners of the businesses will then have more time to concentrate on the areas of management which need attention such as accounting and financial information systems.

Medium sized businesses can also establish a Research and Development department that can work in conjunction with the IT department so that the organization can keep abreast with the latest technology and be at a greater advantage than its business rivals.

Entrepreneurs in the missing middle should be discouraged from investing in the already crowded traditional low technology industries and guided into some of the low-end high technology industries to spur economic growth in this sector.
Medium-sized firms need to develop strategies for dealing government bureaucracy and other threats in the turbulent business environment. That is why the owners/manager plus their staff should go for strategic management training.

A graduate level training program on Strategic Management for middle level managers with specific reference to manpower needs of firms in the "missing middle" should be started in one of the universities to provide managerial support to owner-managers and strengthen the organizational structure of these firms.

The organizational structures of the majority of the firms in the study appeared to be extremely weak and poorly planned. In view of the Kenyan style of doing business, entrepreneurs in the "missing middle" need a strong middle-level tier of management personnel who can take care of the day-to-day activities of the business.

Last but not least an entrepreneur should lead his organization strategically by developing an ability to think insightfully about the future opportunities and challenges, to create energizing visions for the organization and to exploit innovation creating new customer value.
REFERENCES


15. Kenya Wine Agencies Ltd Internal bulletins


APPENDICES

APPENDIX A: QUESTIONNAIRE

THE STRATEGIC MANAGEMENT PROCESS IN MEDIUM SIZED ENTERPRISES

This questionnaire has been set in relation to the objectives of the study. All the questions relate to strategy practices in your organization. Please answer all the questions. Any issues that need be clarified will be discussed when the data collector call to pick the completed questionnaire. All the information given will be confidential.

<table>
<thead>
<tr>
<th>CONTACT INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of contact person</td>
</tr>
<tr>
<td>INDUSTRY SECTOR</td>
</tr>
<tr>
<td>Tourism ( )</td>
</tr>
<tr>
<td>Beauty ( )</td>
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<tr>
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</tr>
<tr>
<td>E-mail</td>
</tr>
<tr>
<td>Website</td>
</tr>
</tbody>
</table>

1. Approximately how many employees does your organization have?
   - 0 - 10
   - 11 - 30

52
2. What is your firm’s mission?

3. Does your mission enable you to meet your targeted objectives?
   Yes □   No □

4. (a) Have you ever attended any training on strategic management?
   Yes □   No □

   (b) If yes, when was the last time you attended the training?
   0 – 3 yr □   3 – 5 yrs □   5 – 7 yrs □

STRATEGIC MANAGEMENT PRACTICE IN YOUR ORGANIZATION

FORMULATION AND IMPLEMENTATION OF STRATEGIES IN UNCERTAIN BUSINESS ENVIRONMENT

5. Do you make long-term or short-term strategic plans for effective management of environmental opportunities?

   Long-term □   Short-term □

6. Were you involved in formulation of the plans above?
   If so, how accessible is it?
Always    Often    Sometimes    Rarely    Never

7. Do you formulate strategies that are envisioned in the policies that you adopt?
   Yes    No

8. Do you compare your strategic plans and your targeted objectives?
   Yes    No

9. Do environmental factors contribute to the ability to develop effective strategies as well as achieve its objectives efficiently?
   Yes    No

10. Does environmental turbulence (e.g. climate, inflation and forex) affect the supply of resources?
    Yes    No

11. Do you do an environmental scan to cope with competitors, identify threats and opportunities and evaluate industry analysis?
    Yes    No

12. How does your organization rank strategic management practice as an aspect?
    Excellent    Good    Fairly good
    Below Average    Bad

13. (a) In your opinion, do you feel that strategic management practice is important?
    Yes    No
(b) Do you feel that it's important for your staff to learn or update themselves on strategic management practice?
Yes [ ] No [ ]

14. Do you think that strategic management will improve the organization?
Yes [ ] No [ ]

15. What are your future aspirations and prospects as far as Information Technology strategic management practice is concerned?
[ ] Place IT and SM as an important aspect
[ ] Indifferent on IT and SM
[ ] IT to be used in future
[ ] Other ________________________

I. EMPLOYEES PERSPECTIVE ON STRATEGIC MANAGEMENT PRACTICE (for non management only)

16. Do you think strategic management is important to your organization?
Yes [ ] No [ ]

17. Do you feel that your performance has been enhanced or has strategic management demotivated it?
Enhanced [ ] Not Enhanced [ ]

BUSINESS ORGANIZATION CHALLENGES
18. Do you experience any challenges when implementing strategic management process in the organization?
Yes [ ] No [ ]
19. What challenges has the use of strategic management implementation posed to your organization?

☐ Higher competition among business rivals
☐ Low production cost
☐ Employee empowerment
☐ High capital investment
☐ Threat to Job Security
☐ Other ____________________________

20. What can be done about overcoming these challenges?

☐ Staff training
☐ Downsizing
☐ Adapting state-of-the-art technology
☐ Other ____________________________

21. Do you feel that keeping abreast with the latest development in strategic management practices can place an organization at a better edge than its competitors?

Yes ☐  No ☐  Sometimes ☐

22. Do you feel that your organization has a better place than its competitors because of better strategies currently in use in your organization?

Yes ☐  No ☐  Sometimes ☐

23. Are your strategic management plans documented?  Y ------ N--------

24. What is your annual turnover? .....................
APPENDIX B: CONTACTS OF PEOPLE INTERVIEWED IN THE MEDIUM SIZED BUSINESSES

1. NAME: JENEATH ENTERPRISES
   DIRECTOR: NANCY N. ROIMEN
   TEL: 210582

2. NAME: DISCOVER KENYA SAFARIS LTD
   DIRECTOR: KASU CHANDANI
   TEL: 226357-213566

3. NAME: MARTE R CARGO FORWARDERS LTD
   DIRECTOR: MARTIN ODUSON
   TEL: 827256

4. NAME: KITCHEN PRIDE LTD
   GENERAL MANAGER: SHIR K. DHANDA
   TEL: 220609/332996

5. NAME: EASTZONE DISTRIBUTORS
   DIRECTOR: GEORGE KIRATHE
   TEL: 225352

6. NAME: ASHLEY SALON & EXECUTIVE BEAUTY SHOP
   OPERATIONS MANAGER: BOB NJOROGE
   TEL: 218345/215320

7. NAME: CARD CENTRE LTD
   DIRECTOR: SURESH R. SODHA
   TEL: 220606/336477/217930

8. NAME: TYSONS LTD
   HEAD OF PROPERTY MANAGEMENT DEPT: PIUS N. MAITHYA
   TEL: 222011

9. NAME: CHECHE TELECOMMUNICATIONS LTD
   PARTNER: CHARLES MOGI
   TEL: 335104/318520

10. NAME: PHYSICAL THERAPY SERVICE LTD.
    DIRECTOR: NELSON NYAMU
    TEL: 333907

11. NAME: MALIBU PHAMACY
    DIRECTOR: P.K. NGANGA
    TEL: 253911

12. NAME: SPUR BUSINESS SOLUTIONS LTD
    FINANCE DIRECTOR: ANTHONY MBURU
    TEL: 2730331

13. NAME: SUPREME FURNITURES
    CREDIT MANAGER: SARAH WAMBUI
    TEL: 311210
14. NAME: MULTI-OPTIONS
   ADMINISTRATION MANAGER: MARGARET KINYANJUI
   TEL: 534463

15. NAME: KAHAWA COFFEE HOUSE
   DIRECTOR: ZUL MAWANI
   TEL: 221900

16. NAME: TEENWISE MEDIA LTD
    DIRECTOR: DAVID NGARUIYA
    TEL: 318276

17. NAME: EPISODE
    DIRECTOR: PAUL MBUGUA
    TEL: 219188

18. NAME: DISCOUNT SECURITIES
    DIRECTOR: DAVID GITHAIGA
    TEL: 219552/538

19. NAME: A-PLUS TOURS & TRAVEL
    DIRECTOR: PAULINE NJOKI
    TEL: 222035

20. NAME: WHITEROSE DRYCLEANERS
    FINANCIAL CONTROLLER: IDREES MAMUJEE
    TEL: 224000

21. NAME: PLYSALES KENYA LTD
    ADMINISTRATION MANAGER: AEKHA SHAH
    TEL: 530608/9

22. NAME: TUSKER MATTRESSES
    PURCHASING MANAGER: GEORGE KAMAU
    TEL: 536305/536306

23. NAME: HOUSE WIFE’S PARADISE LTD
    DIRECTOR: ZUL JAMAL
    TEL: 252682/3

24. NAME: MACNAUGHTON LTD
    DIRECTOR: GEORGE MCKNIGHT
    TEL: 213416/333964

25. NAME: SUBURBAN DISTRIBUTORS
    DIRECTOR: NGENE GITUKU
    TEL: 213486/316834

26. NAME: SQUARE M. SERVICES
    DIRECTOR: DAVID MUTHEE
    TEL: 226894
## APPENDIX C  
**Budget**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost (Kshs)</th>
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</thead>
<tbody>
<tr>
<td><strong>Proposal Development</strong></td>
<td></td>
</tr>
<tr>
<td>Project fees</td>
<td>18,000.00</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>2,000.00</td>
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<tr>
<td>Library research costs and Internet access</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Typing and printing</td>
<td>6,000.00</td>
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<tr>
<td>Miscellaneous</td>
<td>4,000.00</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>35,000.00</td>
</tr>
<tr>
<td><strong>Data Collection/Fieldwork</strong></td>
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</tr>
<tr>
<td>Project fees</td>
<td>9,000.00</td>
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<tr>
<td>Research assistants</td>
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<tr>
<td>Labor</td>
<td>15,000.00</td>
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<tr>
<td>Travel costs</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>31,000.00</td>
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<tr>
<td><strong>Data Analysis and Report Writing</strong></td>
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<tr>
<td>Typing services</td>
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<tr>
<td>Paper</td>
<td>500.00</td>
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<tr>
<td>Compiling/Binding</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<tr>
<td><strong>Grand Total</strong></td>
<td>72,500.00</td>
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## Implementation Plan

<table>
<thead>
<tr>
<th>Time Frame (2003)</th>
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<tbody>
<tr>
<td><strong>Activities</strong></td>
</tr>
<tr>
<td>Proposal Development</td>
</tr>
<tr>
<td>Data Collection</td>
</tr>
<tr>
<td>Data Analysis and Presentation</td>
</tr>
<tr>
<td>Completed Project</td>
</tr>
</tbody>
</table>