

**THE INFLUENCE OF EXTERNAL ENVIRONMENT ON STRATEGIES ADOPTED BY
QUICKMART LIMITED KENYA**

BY

MURIITHI IAN MWENDA

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DECLARATION

This research project is my original work and has not been submitted for a degree or any other award in any other University.

Signature  Date...23.11.2022.....

MURIITHI IAN MWENDA

D61/38013/2020

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

Signature... Date 23rd November 2022.....

PROF. EVANS AOSA

DEDICATION

This work is dedicated to my latefather; James Mwenda, continue resting in Eternal Peace Dad. To my mother; Mary Kalayu, for your love, patience, understanding, encouragement, and unending support emotionally and financially throughout my academic journey. To my wife Hilda Makena and my son Jace Mwenda, who gave me invaluable love, inspiration, assistance, and encouragement throughout the Master of Business Administration (MBA) Programme.

To my siblings Carol Makena, Brian Kaberia, Samuel Mwaniki and niece Taraji Chanya for always being there for me.

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ABBREVIATIONS AND ACRONYMS

QMLK-	Quick Mart Limited Kenya
SPSS-	Statistical Package for Social Science
KNBS-	Kenya National Bureau of Statistics
SACCO-	Savings and Credit Co-Operative Society
QSSR-	Quarterly Sector Statistics Report
KNCCI-	Kenya National Chamber of Commerce and Industry

ABSTRACT

Organizations are dependent on their external environment for their survival and existence. Organizations affect or are affected by what happens in the external environment which is beyond the control of the organization. Changes in the external environment creates pressure for change in organizations and this means they have to respond to changes for their survival. Kenya's retail sector is said to be the second-most highly developed in Africa with large players like supermarkets taking up 30 to 40 per cent of the trade, thus presenting a large opportunity for local small and medium-sized businesses to ride on its growth. The study sought to determine the influence of external environment on strategies adopted by QMLK, Kenya. This research adopted a qualitative analysis on the strategic responses to environmental changes at QMLK. The respondents composed of the top management of QMLK mainly the Chief Financial Officer, Chief Operations Officer, Head of Commercial and Head of Marketing. An interview guide was used to gather primary data from the management of QMLK. Data collected was then analyzed through content analysis and findings were presented in form of brief discussions on the influence of external environment and the strategies adopted. It was clear that QMLK faces challenges in the external environment that range from political, economic, legal, and technological factors. It was deduced that QMLK was pursuing some strategies to cope with the changing environment. This includes product differentiation, marketing, product diversification, downsizing and cost control. The study therefore concluded that challenges posed by the turbulent external environment have led QMLK to come up with strategic plan in order to cope. The limitations encountered in the study include challenges of sharing detailed information, time constraint and scale of research. The study suggests further research to be carried out to determine strategic responses by other retail players in Kenya and determine factors that influence adoption of strategic responses by organizations to changes in the external environment.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The external environment is pivotal in organizational performance. Organizations relies on the environment for the raw materials, human capital, technological innovations, policies, and economic progression. Ansoff and McDonnell (1990) point out that the success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence. Porter (2005) observes that for firms to be able to retain competitive advantage, they need to examine their environment both internal and external and respond accordingly. To be successful over time, an organization must be in tune with its external environment. There must be a strategic fit between what the environment wants and what the firm has to offer, as well as between what the firm needs and what the environment can provide. The speed or response time to the environment challenges has been identified (Johnson and Scholes,2002) as a major source of competitive advantage for numerous firms in today's intensely competitive global economy. It's thus imperative to quickly adjust and formulate strategic responses so as not to be overtaken by events.

The theories anchoring the study are stakeholders' theory and environment dependence theory. Stakeholder theory was formulated by Freeman (1984) to coin the importance of stakeholders and external environment in the achievement of the objectives. The theory is pivotal since it pinpoints the association between the stakeholders and the formulation of the strategies of the organization. The environment dependence theory proposed by Pfeffer and Salancik (1978), explains how organizational behavior is affected by external resources. Firms change their external environment to secure access to the resources they need to survive. This means that a firm's competitiveness is determined by the way they deal with their external resources. While the resource-based view of the firm is concerned with the management of a firm's internal resources and capabilities, resource dependence theory, there is a focus on external parties, such as suppliers.

Supermarkets and retail traders play crucial role in the Kenyan economy and contribute 8.4% to the Kenyan GDP (KNBS, 2016). Globally, supermarkets have provided different products that suits customers' needs. Moreover, Murgor (2016) opined that supermarkets have enhanced the employment of Kenyan population. Additionally, it has increased the technological advancement due wide array of competitive pressures. Adan (2016) opined that decline in operations of Nakumatt and Uchumi Supermarket triggered economic turmoil. The market demands have been evolving due to technological innovation, regulations and integration. The external environment is critical in the transformation of the business and mutual coexistence.

1.1.1 Concept of External Environment

Organizations don't exist in a vacuum. Each organization operates in an environment that affects everything. The industry environment entails the threat of substitutes, threat of new entrants, bargaining power of suppliers, bargaining power of customers and also rivalry among firms (Porter, 1980). The organization's external environment helps it to proactively take advantage of opportunities and minimize on the threats. In an organizational context, the external environment encompasses all existing units existing outside the organization's boundary yet affects it survival and growth significantly. The following sectors makeup the external environment; the macro-environment comprised of the Political, the Ecological, the Economic, the Social, Technological and Legal (PESTEL) elements. The PESTEL framework enables us to scrutinize how the external environment impacts the performance of while implementing strategies. Included in the micro-environment is Suppliers, labor markets, customers, creditors and also trade unions.

The external environment is critical is enhancing the business stability. Harold (2012) concluded that a firm is an open system that relies on the external policies to strive. Additionally, the organization strategies are formulated to enhance the business stability. Strategies unify other regulations guiding the organization. According to Bannet (2011) free markets exhibit minimal regulations. Therefore, external environment goes beyond the social, economic, political to the government regulations and competition among others (Otis, 2013).

The external environment has been scrutinized by various researchers. Otis (2013) analyzed the consequences of policies in the local authorities. The study advocated for business-friendly policies to lubricate the growth. Moreover, Musa, Bin Amirudin, Sofield and Mus (2015) explored the integral effect of external environment on the projects. The study was done in the developing nation with key attention to economics, political as well as social factors. The study concluded that the immense interference from the external environment complicated business performance. Njenga (2017) postulated that external environment affects the implementation of strategic plans among NGOs.

1.1.2 Concept of Strategy

According to Ansoff and McDonnell (1990), it is through strategic management that a firm will be able to position itself and relate to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. They further argue that this can be done by firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness, and secondly, use of real time response through issue management and thirdly, systematic management of resistance during strategic implementation.

According to Thompson and Strickland (2002) Strategy is the game plan that management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. Linn (2007) depicted strategy as the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish. The purpose of strategy is to give directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2001). Johnson and Scholes (2020) define strategy as the direction and scope of an organization over a long term which achieves advantage for the organization through its configuration of resources within a challenging environment with an aim to meet the needs of market and fulfill stakeholders' expectations and is often stated explicitly in the organization mission statement.

The strategies adopted have been operationalized as the communication tool of the organization. Owako (2019) coins the supremacy of fostering the organizational commitment through the strategic approach. Pierce and Robinson (2011) recommended for the changing of strategic objective to conform to the external demands. Schultz (2011) blueprinted the strategic management as the official process of reinforcing guidance, mandate and the jurisdiction of the management. Nevertheless, Shafer, Kasawneh and Salem (2011) postulates that globalization increases the dissemination of information and innovation. Therefore, the changing business environment is rooted to the emerging market.

1.1.3 Overview of Retail Industry in Kenya

Kenya's retail sector is said to be the second-most highly developed in Africa with large players like supermarkets taking up 30 to 40 per cent of the trade, thus presenting a large opportunity for local small and medium-sized businesses to ride on its growth. This is driven largely by population growth, urbanisation and to an extent, the devolution process that has led to higher urban incomes over the last five years. According to the Oxford Business Group, Kenya's urban population was expected to cross the 14 million mark by 2025, signalling an immense market for growth-minded producers.

The Retail Sector is comprised of establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Retailing is the final step in the distribution of goods to consumers. In addition to retailing merchandise, some types of retailers engage in the provision of aftersales services, such as repair and installation. New machines and equipment dealers, supermarkets, electronics and appliance stores and musical instrument stores are included among this group providing products and service.

Quick Mart and Naivas- the country's biggest supermarkets in terms of branch network and shopping traffic - have in the past few years expanded generously in a tight race for shoppers that has wound up in areas initially dominated by traditional channels like shops, kiosks and small supermarkets in small towns. In Nairobi, the wars for market share have taken mainstream

supermarkets from the usual commercial areas to residential places, where they are squaring off with newer and smaller entrants like Chandarana, Stagematt and Eastmatt among others. With Kenya being the more affluent market in East Africa, its retail sector is more developed, but nearly hitting the slow lane, and the big players are looking beyond borders - exporting their wars to neighbouring countries.

1.1.4 Overview of QMLK

Quick Mart Supermarket was started in the year 2006 in Nakuru Town. In 2010, it opened a new branch in Ruai to enhance their service delivery. In 2019 it opened another branch in Valley Arcade. The business recorded tremendously sales, hence causing the greater transformation. Therefore in 2021 more improvement was done including opening of fresh-food market, strategic expansion of branches to reach counties and sub-counties in Kenya. The firm has promoted the employment and increase the revenue generation to the government (Quick Mart, 2021).

The measure of Quick Mart success can be demonstrated through the significant transformation on the revenue generation, number of employees, branches opened, financial performance and competitive strategies. The business stability can be associated with critical scanning of environment to minimize the threats and increase the opportunities. In addition, the organization minimize the constraints through long-term plans against the economic detrimental and technological obsolescence. Therefore, Quick Mart has not been left behind in their evolution and faster growth from 2006 to date. According to KNBS (2016) the growth of supermarkets has enhanced employment rate, economic progression. The changing environment is critical in decision and understanding the survival, excellent performance and the business stability.

1.2 Research Problem

Ansoff and McDonnell (1990) noted that strategic responses involve changes in the strategic behavior of a firm and that such changes may be in many forms that depend on the environment in which the firm operates and the capability of the organization. This is because companies are

dependent on their environments for growth, survival and profitability. The external environment provides opportunities and challenges that determine a firm's commercial health, prosperity and return on investment. Aosa (1992) states that strategy is creating a fit between the external environment and internal conditions of an organization to solve a strategic problem. Pearce and Robinson (2005) state that strategic responses enable a firm to position itself and relate to the changes in the external environment for continued success. An organization will choose a strategy that will enable it respond to the threats and opportunities it is encountering in its external environment.

Kenya's retail sector has continuously been experiencing uncertainties resulting in the collapse of the once major supermarkets like Nakumatt and Uchumi and the exit of other foreign supermarkets like Shoprite and Choppies from the Kenyan market. The ailing of this sector has left many supermarkets struggling to pay workers, creditors, and suppliers, a crisis that threatens to bring down the business. Interest rate caps sparked an unpleasant storm for many private institutions that depend on borrowing to survive, as banks tightened their wallets and largely lent to safe bets like government or institutions with valuable assets as security for loans.

Pearce and Robinson (2012) illustrated the importance of external environment in the prediction of the business operation. Meyer and Pauline (2017) concluded that strategies gear the firm against the stiff competition, business sustainability and capability to withstand economic turmoil. The external environment turbulences result from the factors that cannot be influenced by the organization directly. The chief latitudes are on the strategies to evade the chaotic and dynamic changes resulting from the external environment. In a nutshell, external environment and the strategies should be aligned to promote logistic and systematic achievement of quality performance and competitive advantage.

The preliminary reviews indicated that no research had been conducted on how external environment influences QMLK strategic decisions. Therefore, it was important to note that while substantial literature exists on influence of external environment on firms' strategies, there is no

specific academic research that has been done on influence of external environment on strategies adopted by QMLK. Some of the local studies on effects of external environment include: Ambundo (2008) conducted research on effects of external environment on strategies adopted by Mobile Money firms; while Mohamed (2013) researched on responses of Nzoia Sugar Company to challenges in its external environment. This study intended to bridge this research gap by examining, what influence does external environment have on strategies adopted by QMLK?

1.3 Objective of the Study

The objective of this research was to establish the influence of external environment on strategies adopted by QMLK.

1.4 Value of the Study

The research is very integral for researchers and academia in the field of strategic management and in the retail industry, as it will be a source of reference in forming their future research topics and studies. They will be able to identify the changes that have taken place in the retail sector in Kenya over the last one decade, explore whether or not QMLK has acted in accordance with the environmental dependence concept; and contribute to the strategic management studies through literature review and also identify where further research could be done on the subject matter.

The study will further be useful to policy makers in the assessment of the efficiency of the strategies versus the external environment thereby enhancing the development of well-informed strategies. The supermarket will obtain valuable information on the progress and the challenges facing the business. The policy makers, management and business will increase the strategic formulation of policies to minimize the economic turmoil.

The study will upgrade and update the reference material for practitioners. The study informs the government and firms on the appropriate strategies to increase the business stability, sustainability,

financial performance and competitiveness. The research is critical in the allocation of resources accompanied by quality utilization.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter pinpoints the theoretical foundation reinforcing this study. Moreover, the study analyzes the external environment and organization to demonstrate the association. Additionally, the study aligns the external environment versus the strategies adopted to blueprint the pivotal areas of this study. The study examines the empirical studies building the foundation of this research and elaborates on the existing research gaps being addressed by this research.

2.2 Theoretical Foundations

The theories reinforcing this research are stakeholder theory and resource dependence theory. Stakeholder theory embedded by Freeman (1984) to demonstrate the importance of the consideration of perspective of stakeholders in all the decision making. Resource Dependency Theory, proposed by Pfeffer and Salancik (1978), explains how organizational behavior is affected by external resources. The theories provide a foundation of how an organization interacts with environment leading to improvement in the firm performance. The theories also provide valuable information to parties interested in strategy formulation, implementation, and evaluation.

2.2.1 Stakeholder Theory

Stakeholder theory was advanced by Freeman (1984). The theory associated the success of the organization with its capability to address the issues of the majority interested parties. It illustrates the fabric of societal development through innovations and creation of jobs. Furthermore, it emphasizes on the good regulation of a company and crucial moral values of the enterprise that emphasizes in well management of an organization. This theory was first utilized in management discipline then after it spread and used in corporate entities for governance and accountability.

The theory has some shortcoming including the assumption that all interest from the stakeholder should be considered. However, some proposals are conflicting hence the management should step in and strike a balance to eliminate confusion, promote success and clarify consensus. Moreover, the theory does not provide the metrics for measuring the stake among the interested parties. It is paramount to strive for win-win situation in the business environment.

The theory is valid and relevant in designing appropriate strategy to guide the business in longevity. As by stakeholders' theory, decisions are made in regard to the forces from different consented parties. These parties are either owners of the business, managers or the enablers of business transactions. Moreover, the theory promotes the productivity, satisfaction and improved business stability. It enhances the customers' satisfaction through great attention to their needs and making right decision to spearhead the stakeholders' interest (Fanta, Kemal & Waka, 2013). In a nutshell, maximization of stakeholder theory is needed, when developing and implementing strategies for long existence in dynamic business environment.

2.2.2 Environment Dependence Theory

Pfeffer and Salancik (1978) devised the environment dependence theory to explain how organizations' behavior is affected by the external resources they possess. They propose that firms change, as well as negotiate with, their external environment in order to secure access to the resources which they need to survive. This means that a firm's competitiveness is determined by the way they deal with their external resources. Van Weele (2018) believes that this is, in fact, more important than their internal resources.

Environment dependence theory views interorganizational relations as a means for securing needed resources and of enhancing control over resource supply. Power relations and the effective management of environment dependencies are at the center of researchers' interest. Resource dependency theory examines the relationship between organizations and the resources they need to operate. Resources can take many shapes or forms, including raw materials, workers, and even funding. If one company maintains the majority of a resource, then another company will become

dependent on it in order to operate, creating a symbiotic relationship. Too much dependency creates uncertainty, which leaves organizations subject to risk of external control. External control may be imposed by the government or other organizations, and can have a significant effect on operations, such as funding or personnel policies.

Environment dependence theory is important for any organization for its success. Structure of an organization adds value to formulation of strategy approach as well as implementation, which will ensure that business remain competitive. Environment dependence theory assist in determining forces that company needs to associate with from external environment. Environment dependence theory builds an approach which disables unnecessary fight or conflicts of interest between various with external organs in business environment.

2.3 External Environment and Organizational Strategy

Superior organization performance is realized when the responsiveness of an organization's strategy matches the turbulence in the environment (Ansoff & Sullivan, 1993). Mwangi (2012) indicated that political, economic, cultural and demographics among other are considered in the formulation of strategies. The supermarkets use the strategies to expand sales, increase market share and attain competitive advantage. According to Meyer and Pauline (2017) the threat and opportunities emanates from the external environment.

The exploitation of opportunities, investment in crucial projects and innovation in the business relies on the external environment. Vinkhansky et al. (2012) illustrated the importance of changing the strategies to conform to the external environment. The organization assesses and formulates strategies to enhance the resources utilization. Additionally, the operational efficiency, dynamic capability and exploration of new business was to promote growth, performance and competitive advantage links the business to the external environment.

2.4 Empirical Studies and Research Gaps

Njeri (2019) carried out assessment to determine factors that influence success of health activities. The forces which were put into consideration are impacts of assets allocation to the health project by the government, political good will to health projects, influence of key shareholders in health jurisdiction, effects of utilization of technology in health sector and financial influence on the health projects. Cumulative number of active projects were 40 and all of them were explored, simply because the size of the population were manageable. Questionnaire were used to gather the data. Collected data was then scrutinized using crucial analyzing tool of SPSS model (Statistical Package for Social Science). In addition, this model was use to interpret the data collected. Thereafter, multiple regression of linear was the maximized to evaluate the relations between variable and non-variable factors. The result of the data was then projected in graphical designs; tables and charts. The research discovered that political good will, allocation of resources by the government, technology adoption, shareholders inclusion, and financing of health sector has crucial relationship on success of health project. Researcher of the study summarized that stakeholders' inclusion in executing health projects leads to good relationship in health environment between the parties thus successful execution of health projects. Moreover, new technology improve efficiency of health project. Despite these, health project fails as result of lack of good political will from political leaders and inappropriate allocations of resources by the government of Nyandarua County. Study proposed political good will among leaders of the counties and engage all shareholders while making decisions to enhance success of health sector. The study however, focused on health projects in Nyandurua County only, hence it is inappropriate to Quickmart Limited setting. Therefore, this study was based on context of Quick mart's Business environment.

Ndengwa, Kilika and Muathe (2019) undertook a study to determine regulatory responsibilities of outside environment and competitive merit in Kenya commercial banks. Researchers used explanatory and descriptive model during the study. Investigation targeted all Kenya commercial

bank entities. Therefore, assessment used purposive sampling design to pick 160 respondents from various important functions of operations and strategy, financing and marketing from the headquarters of commercial bank in Nairobi County, Kenya. Semi structure questionnaire was used to gather data. Data collected was screened, analyzed and concluded by descriptive statistics. This assessment focus only on commercial Bank, hence it will be of no relevance to QMLK.

Sossion and Makori (2015) carried out a study to determine the impacts of forces originating from surroundings of organizations on strategies implementation. The assessment aimed at SACCOs that accept deposit in Nairobi County, Kenya. The sample size taken into consideration were 36 SACCOs accepting deposits. The investigation used descriptive research design, in addition, primary data that was gathered using questionnaire. Descriptive statistics was maximized during analysis of data in a manner of mean, distribution of frequency as well proportion of data. Furthermore, Statistical Package for Social Science was also used to present insight feedback from the respondents in the investigation. The assessment discovered that SACCOs that accept deposits experienced many problems as a result of regular changing outside environment, thus there is need to come up with appropriate strategy in order to cope with these setbacks. As a result of uncovering of the study, the investigator propose that the leadership of the SACCOs need to invest on the development of strategies like, coming up with new products and services to improve product line and existence in the market in response to environmental setbacks facing these SACCOs. The study focused mainly on deposit taking SACCOS, therefore this assessment is notwithstanding the effects of external environment when it comes to Quick Mart context.

Haret and Simiyu (2017) did a study to examine external environment forces and performance of Islamic banks institution. The main goal of the study was to determine the influence of outside drivers on Islamic Bank performance. In addition, the main external factors which were assessed include demographic influence, innovation in technology and the economic influence. The research design use was descriptive study design while carrying out the investigating how the external surrounding influence the financial operation of the banks. Moreover, the population of

100 was targeted for the investigation. In addition, the sampling technique used to select respondent were random stratified approach. Questionnaires were employed in the study to collect data. Gathered data was then analyzed using regression of multiple linear, co-efficiency correlation and descriptive statistics. The study finding show that; innovation and technology, demographic and economic factors alters the work of Islamic Bank in Kenya. The researchers propose that, Islamic banks need to adhere with Shariah banking and invest in the open opportunities in banking industry. The point of focus in the study was only the Islamic banks institution only therefore findings and recommendations are irrelevant to QMLK.

Kapere (2011), investigated the effects of external surrounding on the marketing enterprises. The study was done in context of Dynapharm Company in Kenya. The respondents were staff from managerial level working in this company. Interview approach was employed in collection of data with assistance from investigation of previous study in regards the same topic under assessment collect qualitative data. The replies collected from the respondents were then scrutinized by content analysis. The discoveries from investigation show that external drivers have both negative and positive influence on the networking marketing company. The assessment further, find that the external forces in the environment of business also affects the strategy management structure, formulation and execution of the strategy. In spite of all the findings, the investigation only focus on only one marketing institution, therefore the findings are not conclusive to represent all firms under this industry.

Mwangi (2012) assessment objectives were to determine strategies employed by building and construction entities in Nairobi, Kenya in order adjust accordingly to dynamic external environment. Cross section descriptive research method was used for the study. Stratified random sampling model was use to sample 64 respondents by selecting 8 construction companies from 8 categories of construction firms. Questionnaire method was used to collect data. Thereafter, the collected data was then analyzed using descriptive statistics and thereafter projected in terms of proportion, frequencies, standard deviation as well as in mean. The study found out that strategy

implementation was vital in handling the external environment factors were; new product germination strategy, strategy for growth, funding strategy and portfolio blueprint. The investigator presupposed that regulatory body of licensing should control the entry of new construction to the market to limit unhealthy competition and poor quality of task. The evaluation only focused on construction entities hence the findings and commendation cannot be employed in the supermarket industry, therefore this study will focus on QMLK.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter analyses the research design useful in this study. Moreover, it elaborates on the on the data collection that is adequate for decision making. Apart from that, it demonstrates the roadmap for sourcing the data. In addition, it also encapsulates the data analysis method that conform the research objective and the research problem. The study seeks to address the external environment and strategies adopted by QMLK.

3.2 Research Design

Research design stipulates how the data is generated for the research study. It outlines the instruments of gathering information as well as the analysis of the research. According to Cooper and Schindler (2014), it makes good use of current condition, groups, people and interactions to provide the raw data that can be interpreted by the researcher. The research design aims at very credible, reliable and quality outcomes.

This research utilizes the case study research design. It is important for objective and systematic garnering of detail information as well as the actual situation. It incorporates the absolute and intensive observations of the key societal units thereby coming up with comprehensive quality data. It increases the generation of detailed outcomes based on evaluation and interrogation of senior management at QMLK.

3.3 Data Collection

The study used both primary and secondary data. Primary data refers to facts, assumptions or premises obtained directly from the respondents. Secondary data refers to applied facts, assumptions and premises contained in various documentary sources. The secondary data will be

collected from already documented materials such as the past Quick Mart Strategic Plans, reports (including Quarterly Sector Statistics Report, Quick Mart annual reports and relevant reports from various forums held by QMLK) and journals.

The researcher developed an interview guide to assist in sourcing data. The reason for adopting this instrument was because it was useful in guiding the discussions between the interviewer and the respondents. The interview guides contained open-ended questions that enabled collection of qualitative data. The use of an open-interview strategy enables better exposure of the interviewees' personal perspectives, their deeper thoughts, emotions and ambitions (Bromley, 1986; Paton, 1990). This less structured approach allows the interviews to be much more like conversations than formal events with predetermined response categories, permitting the respondents' views to unfold, rather than the predisposition of the researcher (Marshall and Rossman, 1997)

The interview guides were administered on a face-to-face basis. The reason why the study chose to use this method was because they were particularly useful in getting the story behind a respondent's experiences. Further, it offers an opportunity to pursue in depth information around the topic as well as follow-up to certain respondents in order to further investigate their responses, (McNamara, 1999).

The respondents targeted were 4 key personnel including the Head of Commercial to elaborate on the risk prevention and mitigation measures. The Chief Operations Officer was interviewed to get more information on sourcing and procurement. Chief Financial Officer & Head of Marketing also elaborated more on political, economic, social, technological, legal and demographic factors. The study chose to focus on heads of departments since they are known to be involved in the strategy formulation and implementation for their departments, and the organization as a whole; hence they were considered to be conversant with all the strategic responses that the retailer employed over the last decade.

3.4 Data Analysis

The raw data sourced from the QMLK was subjected to review, classification and summary to promote the qualitative description. The study assessed the correctness, logical, systematic, and completeness to enhance the in-depth understanding. Additionally, the study maximized content analysis through procedural deductions, examinations, definitions of particular objectives and thorough scrutiny to enhance the conclusive findings.

Content analysis was critical for adequate and relevance of the study that translates to informed decision making (Kipngeno, 2021). Content analysis was chosen to promote the systematic and quality findings based on the specific attributes. The researcher got more knowledge and colloquial perspective and the external environment view. The researcher identified the respondents, collected data, code, examined reliability, completeness and accuracy then interpreted it.

Moreover, the research undertook in-depth scrutiny of word used several to illustrate the greatest and pivotal areas of concern. The researcher obtained the clear information that is consistent and up to date. Data examination and scrutiny processes are the cornerstone for concrete information. Amiru (2019) maximized content analysis to increase the credibility, validity and completeness. In a nutshell, it promotes the intensive interpretation and the reliable outcome.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The chapter presents the data collected in line with the research methodology and the objectives of the study. The data discloses beneficial insights that provide answers to the research questions. Through the analysis of the data the outcome offers a good basis for drawing logical conclusions about the study. The data was collected by use of interview guide and analyzed by use of content analysis. The study focused on ascertaining the influence of external environment on strategies adopted by QMLK. The respondents targeted were four key personnel including the Chief Financial Officer, Chief Operations Officer, Head of Commercial and Head of Marketing were also interviewed to elaborate more on political, economic, social, technological, legal and demographic factors. The response rate was satisfactory after the researcher made frantic efforts to secure interviews with the respondents through phone calls and email reminders which eventually bore fruits.

4.2 Profile of the Respondents

In this section the study sought to find out how long the respondents have worked at QMLK. All the four respondents were male between the ages of 35 – 57 years and two of the respondents have worked for QMLK since inception in the year 2006, one has been there for nine years, another respondent for 6 years.

4.3 Strategic Responses by QMLK to Changes in the External Environment

The study sought to determine the influence of external environment on strategies adopted by QMLK, Kenya.

4.3.1 Changes in the Political Environment

The study proceeded to determine the changes in the political environment that have affected QMLK. The interviewees indicated that the organization was apolitical meaning that it does not lean on any side of the political divide. However, they sighted that the recently concluded Kenya General Elections of August 9, 2022 have stalled economic growth owing to the highly divisive political rhetoric the country experienced during the electioneering period.

According to the interviewees the move to revert clearing and forwarding services to the Port of Mombasa from Naivasha has left multi-billion-shilling investments on the brink of closing. The interviewees revealed that at stake is the industrial park in Mai Mahiu where tens of investors including QMLK had shown interest. From the responses of the interviewees, they indicated that this is causing container freight stations to miss out on cargo which they used to handle previously further causing delays down the supply chain. The interviewees felt that a mix of corruption scandals, politics surrounding the Standard Gauge Railway, and political interference have impacted cargo shipping, QMLK to opt for the costlier road transport to haul cargo.

4.3.2 Changes in the Economic Environment

The interviewees were requested to indicate the changes that have taken place in the economic environment that have affected the operations of QMLK. The interviewees indicated that the direct interference by government in the supply chain operations has had a detrimental impact on the importation process and as a result import cargo volumes have declined whilst overall costs have increased. They indicated while road infrastructure improvement is welcome, some developments can wreak havoc on an established retail business, primarily by altering a very key element of customer convenience — access. The interviewees indicated that for most customers, access to the retail store is a major factor in the convenience perception and therefore determines which store one will visit. It is for this reason that QMLK first considers the viability of a business location in terms of expected footfall.

4.3.3 Legal Changes that have impacted QMLK

The interviewees were asked to indicate the legal changes that have taken place in the external environment of QMLK that have impacted on the operations of the organization. They indicated that the government has come up with policies that are having a toll on the operations of container freight stations. The interviewees are of the opinion that the government's action has no legal basis.

However, as a legal policy it has proved detrimental to retail outlets and the sector as a whole. The adjustment of price of diesel upwards by Sh20 per litre in the September fuel price review after the government partially wound back the subsidy that had held the cost stable in the previous review for example; has left manufacturers facing a hard choice over whether to pass on to consumers higher production costs.

4.3.4 Technological Changes

The interviewees were asked to indicate the technological changes that have taken place in the external environment of QMLK in the recent years. They intimated that RetailPay platform was built to bring back trust in the retail sector and to address the daily inefficiencies experienced in the industry which has led to an increase in commodity prices which have an adverse effect on the common mwananchi (ordinary citizen). According to the respondents, RetailPay is a technology solution which offers end-to-end visibility and traceability of products while ensuring real-time payments. The solution connects all participants in the retail ecosystem including retailers, suppliers, financiers, insurance and logistics, and ensures that each provides and receives value. The integrated system has eased the documentations process like manifest. With the support of Swedish International Development Cooperation Agency (Sida) and FSD Kenya in conjunction with BrandKE and the Kenya National Chamber of Commerce and Industry (KNCCI), RetailPay has completed the first phase of the experiment where over 200 small and

micro retailers have been onboarded onto the platform. The interviewees also pointed out that ICT development have given customers more visibility on the status of their purchases.

The interviewees unanimously agreed that, retailers can now access goods on credit from RetailPay-participating suppliers using the consignment model, which ensures they only pay for goods once sold. Additionally, retailers have the advantage of stocking products based on demand, which means they would need not to stock products in bulk. This frees up their capital, making them financially flexible to expand their businesses and engage in other economically viable activities.

4.3.5 Specific Areas adversely affected by these changes

The interviewees were asked to indicate the specific areas that have been affected by the changes in the external environment. They pointed out that there has been a significant decrease of income since the country is just coming out of highly charged divisive electioneering period. The interviewees also pointed out that organization embarked on reducing the number of staff and the staffs that were retained were forced to take a reduction in salary up to 15 %.

Due to the decrease in income the company has reduced the number of their staff through declaring them redundant. This has in turn affected most families due to the fact that those employees used to help their families and thus long term effect. The interviewees also noted that the traffic flow in the area of their operation has really improved.

4.3.6 The extent to which the changes have impacted QMLK

The interviewees were asked to indicate the extent to which the changes in the political, economic, legal and technological changes have impacted on the organization. The interviewees posited that the completion of a majority investment in Quick Mart Ltd by Adenia Partners, a PF firm investing in sub-Saharan and headquartered in Mauritius Africa in 2019, paved the way for the merger of Quick Mart with Tumaini Self Service Ltd, another supermarket retailer in Kenya that Adenia acquired in December 2018. The interviewees also indicated that Kenya's retail

sector is facing a significant transformation that has seen local operators team up with private equity (PE) firms to ensure survival after the collapse of retailing chain giants — Nakumatt, Uchumi and Tusksys — on botched expansion plans and trading malpractice. The interviewees opined that the changes in the economic environment have led to reduced costs of operations for the organizations for example reduction of salaries by 15%, sourcing for cheaper suppliers of retail supplies which sometimes do not guarantee quality.

4.3.7 Level at which strategies of QMLK are made

The interviewees were asked to indicate at which level in the organization are strategies made. They indicated that strategies are made at the senior management and board levels.

4.3.8 How QMLK reacts to these changes

The interviewees were asked to indicate how the organization reacts to the political, economic, legal and technological changes. They indicated that in terms of political changes the organization has been trying to engage the government with other stakeholders to relax the stringent rules surrounding access to local funding.

In terms of economic changes the interviewees indicated that the company has introduced cost cutting measures for example reduction of salaries by 15%, employing of cheaper service providers as opposed to the expensive ones such as security guards and cleaners. The company has also negotiated with transporters to reduce their transport rates and the transporters have accepted to reduce the rates. The interviewees indicated that for the legal changes the organization has been engaging government policy makers and their lawyers through association on some of the legal policies curtailing on the operations of the supply chain. The talks are still on-going and the government policy makers have been giving positive feedback.

The interviewees indicated that for the technological changes the organization has been sending their staff for trainings to keep them abreast with the several changes in the payments technology

and customer service practices. All these efforts by the management are towards redefining the business objectives and look for other opportunities within the industry.

4.3.9 Strategic Responses used

The interviewees were asked to describe some of the strategic responses that are used by the company. The interviewees indicated that the retailer has taken up the space that was vacated by struggling supermarket chain Tuskys, stepping up competition with rival Naivas that has a significant presence across the country. The retailer has launched Quickmart offerings which will include a full-service bakery with skilled workers for specialty breads, patisserie, cakes and ready-to-eat hot meals. The store will also include fresh cuts at their butchery segment.

The interviewees further stated that in its growth trajectory, Quick Mart plans to have 105 stores across 30 counties by the year 2026, increasing the number of employees from the current 5,200 to 12,000. Further they stated that the strong growth in Kenya's consumer spending, which has fueled the growth of the retail sector in recent years, is not cooling down any time soon adding that the greatest catalysts for consumer spending are high population growth, rapid urbanization, and strong wage growth. Kenya is experiencing all three at the same time

The interviewees also pointed out that QMLK's expansion against the backdrop of these favorable macro-economic conditions is therefore sustainable, especially with the good management and corporate governance practices in place. The interviewees also stated that the unique and robust operating model adopted by Quick Mart as well as its strong track record of expansion and integration has poised it for a sustainable long-term strong and profitable growth.

4.3.10 Whether QMLK responds to the Changes

The interviewees were requested to give their opinions on whether QMLK responds to changes reactively or proactively. The interviewees were of the opinion that the management of the company responds both reactively and proactively. Quick Mart has steadily pursued and realized its growth and expansion strategy and now sits as a Tier 1 Supermarket chain in Kenya. The

interviewees intimated that when setting shop in CBD, QMLK is taking advantage of the disarray in Kenya's retail sector that had resulted in the collapse of established supermarkets that controlled a larger share of the city centre consumers.

Two of Kenya's three top retailers that were in trouble include Uchumi Supermarkets which closed most of its stores and former regional leader Nakumatt — which collapsed, opening the door to rivals- Tuskys also closed down.

4.3.11 Resource Allocation Consideration

The interviewees were asked to indicate whether the organization considers resource requirement when implementing a strategy. The interviewees were in agreement the organization considers resource requirement when implementing strategies. This is because enough resources and time are needed when implementing a strategy. Mostly true costs are not identified or underestimated. True cost varies from a clear identification of expenses associated with a strategy, realistic time commitment from staff to achieve a goal or unexpected cost overrun by the organization. Employees additionally must have enough time to implement what may be additional activity that they are not performing currently.

The interviewees also averred that resource requirement should be considered since a change in strategic direction causes ripple effects of change throughout the organization. An entire organization may have to be reorganized to implement a strategy. They may reassign new responsibilities they have been given and as a result not put forth maximum effort that is required for the new strategies to succeed. Part of top management is to convince employees that the changes taking place in the organization will benefit all of them in the long run. When the management communicates the reasons behind change of strategy then resistance maybe managed and employees are likely to support the decisions that are made.

4.3.12 Impact of Strategic Responses on the Performance of QMLK

The interviewees were asked to indicate whether the strategic responses have impacted on the performance of the company. The interviewees were all in agreement that the strategic responses have led to improved performance since they have been able to sustain the operations of the organization through the turbulent season.

4.3.13 Likely influence by Competitors

The interviewees were asked to indicate the likely influence of competitors when deriving strategic responses. The interviewees were of the opinion that they add value to the investigated methods by increasing the value of service provided to the customers.

Moreover, following the likelihood of buyers abusing their buyer power, several competition agencies worldwide have enacted competition provisions that explicitly prohibit the abuse of buyer power. In Africa, Kenya is the first country to prohibit abuse of buyer power under Section 24A of its 2010 Competition Act. Section 2 of the Kenyan Competition Act defines buyer power as:

The influence exerted by an undertaking or group of undertakings in a position of a purchaser of a product or service to obtain from a supplier more favourable terms, or to impose a long term opportunity cost including harm or withheld benefit which, if carried out, would be significantly disproportionate to any resulting long term cost to the undertaking or group of undertakings.

The interviewees indicated that the strategies arrogated to respond to changes in the external environment have led to increase in flow of income. The interviewees were asked how often the management reviews the effectiveness of the strategic responses. They affirmed the existence of a management committee and board committee that review the strategic responses on monthly basis and quarterly basis respectively through which the progress is reviewed. The cycle of the business review enhances the organizations speed and capability to put in mitigating strategies as well as reviewing the effectiveness of the strategic responses employed. This way, the

organization is in a position to address any challenges experienced promptly and in a timely manner.

4.4 Discussions of Findings

The response to changes in the external environment of organization has been a concern to management scholars. This research therefore was seeking to establish the influence of external environment on strategies adopted by QMLK.

4.4.1 Comparison with Theory

From the above findings it is evident that the changes in the external environment affect QMLK. The factors in the external environment that affects QMLK range from political, legal, economical and technological. The research findings support environmental dependency theory that recognizes that the organizations are environmental serving and dependent such that they are not able to control their behavior as they are influenced by external factors. The factors in the external environment warrant strategic responses that can help the organization achieve its goals and help the organization sustain its performance.

The various external environmental forces that surround an organization have possible effects on how an organization operates and thus if a firm fails to make the changes warranted by the external environment, they lose their competitiveness and might eventually go out of business. The findings of the study are also in consistent with the Stakeholder theory which was advanced by Freeman (1984). The theory associated the success of the organization with its capability to address the issues of the majority interested parties. Hatch (2007) states that the one of the three most common ways of putting in place elements of an organizational environment are: the inter-organizational network which is represented by a web of complex relationships that consist of suppliers, clients, competitors, special interest groups and government regulatory bodies.

The research findings also support Stakeholder theory which was advanced by Freeman (1984). The theory associated the success of the organization with its capability to address the issues of

the majority interested parties. The special interest groups are organizations, groups or people who try to influence functions of an organization via social, political or economic pressure, the general or global environment. The government regulatory bodies represent a central point because they have legal control over activities that are associated with nomination and tax authorities.

4.4.2 Comparison with other studies

From the findings of the study the management of QMLK responds both reactively and proactively to change. The strategic responses of the company to changes in the environment include downsizing, cost control, diversification and product differentiation. Managers tend to anticipate change in the external environment and they come up with strategic responses to counter these changes. According to Grant (2000), strategic responses necessitates that an organization changes its strategies so that they go hand in hand with their environment and also redesign their internal capacity so that they go hand in hand with the strategies that the organization selects.

The findings also indicate that changes in the external environment have effects on the organization. These factors include political, economical, legal and technological factors. Thus indeed according to Lee & Jay (2015) as the external environment of an organization keep changing, the organization needs to adapt to internal configuration and activities in order to review what is taking place in its external environment.

This is because the external environment brings both threats and opportunities to an organization. The findings of the study also indicate that there is an impact on the performance of QMLK based on the strategic responses implemented. The adoption of strategic responses improves the firm's effectiveness. Mokuia & Muturi (2015), found a positive correlation between strategic responses and performance of firms. On the other-hand, some studies show the existence of either an inverse relationship or no relationship on the link between strategic responses and performance. Bidley (2011) observed the existence of an inverse relationship between strategic

responses and performance. He noted that adoption of strategic responses was not sustainable due to competition from other players. Use of strategic responses by firms does not necessarily lower costs. It is evident that strategic response is a way in which firms opt to respond to environmental challenges. Nevertheless, the approach applied by the firm is influential of the success or failure of a strategic response.

CHAPTER FIVE

SUMMARY, CONCLUSSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter outlines the findings of the study and the requisite recommendations. The findings provide a valuable insight on the influence of external environment on strategies adopted by QMLK. It also highlights limitations of the study and recommendations for further research.

5.2 Summary of Findings

The objective of the study was to determine the influence of external environment on strategies adopted by QMLK, Kenya. To achieve this, the study applied a case study design as the unit of analysis was only one. The mode of data collection applied was primary data by use of interview guide from key personnel in the study organization. It was clear that changes in the external environment affect the organization which includes changes in the political, economical, legal and technological environments. The study also established that QMLK responds to changes in the external environment through various strategies. Some of the strategies that QMLK use include downsizing, diversification, cost control and product differentiation.

The study found out that there has been major technological changes overtime in the external environment of QMLK. These include RetailPay platform which was built to bring back trust in the retail sector and to address the daily inefficiencies experienced in the industry which has led to an increase in commodity prices which has an adverse effect on the common mwananchi (ordinary citizen). The study further established that the changes in the economic environment have affected QMLK. The effects experienced include online shopping and pick up, social media marketing and cashless transactions. It was concluded that QMLK has instituted some strategies

to cope with the changes in their external environment. This includes product differentiation, marketing, diversification, downsizing and cost control.

The study deduced that QMLK responds reactively and proactively to the changes in the external environment and considers resource requirement when implementing strategy. The study revealed that strategic responses have led to improved performance of the organization. It was further discovered that likely influence of competitors add value to the investigated methods by increasing the value of service provided to the customers. The study also indicated that the strategic responses of the firm are reviewed on monthly and quarterly basis by a management committee and board committee respectively through which the progress of the organization is reviewed.

5.3 Conclusions

From the findings the study concludes that has been influence of external environment on strategies adopted by QMLK. These changes have led QMLK to come up with strategic responses. Some of the strategies that QMLK has come up with include taking up the space that was vacated by struggling supermarket chain Tusksys, stepping up competition with rival Naivas that has a significant presence across the country. The retailer has launched QMLK offerings which includes a full-service bakery with skilled workers for specialty breads, patisserie, cakes and ready-to-eat hot meals. In its growth trajectory, QMLK plans to have 105 stores across 30 counties by the year 2026, increasing the number of employees from the current 5,200 to 12,000. QMLK's expansion against the backdrop of the favorable macro-economic conditions is therefore sustainable, especially with the good management and corporate governance practices in place. These fundamentals positions QMLK for sustainable continued success. The brand has become a trusted retailer and household name in Kenya. Its unique and robust operating model as well as its strong track record of expansion and integration has poised it for a sustainable long-term strong and profitable growth.

5.4 Recommendations

The study established that external environmental influences the strategies adopted by QMLK. The study therefore recommends that QMLK should come up with strategies to enhance their performance. This can be done through diversifying the business. This will improve the income inflows for the organization.

It was clear that QMLK has come up with strategic responses to the changing external environment. The study therefore recommends that QMLK should ensure that each strategy is applied fully to address the changes posed in the external environment. QMLK should also strive to adopt the use of supplier engagement which enhances collaboration between the suppliers and the parent company. This leads to customer satisfaction and at the same time builds a good relationship between the suppliers and the company. This can help in information sharing and helping the company in letting the suppliers know what exactly they want and at what time.

5.5 Limitations of the study

There was challenge of sharing detailed information in regard to strategic responses to changes in the external environment at QMLK. As such in some of the research areas we did not get detailed information. Time constraint was another challenge since the interviewees were very busy and the time the researcher took with the respondents could not allow for an in-depth probing. Additionally, some of the respondents were unavailable to give feedback for various reasons such as being out of the country and busy in other offsite projects.

5.6 Recommendations for further Research

For better generalization of the study results, a further study can be carried out to determine strategic responses by other retail players in Kenya to changes in the external environment and further determine the factors that influence adoption of the strategic response to changes in the external environment.

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APPENDICES

Appendix I: Interview guide

THE INFLUENCE OF EXTERNAL ENVIRONMENT ON STRATEGIES ADOPTED BY QUICKMART LIMITED

1. Which position in the company management do you hold?
2. What are the major changes in the political environment that have affected QMLK?
3. What are the changes in the economic environment that have affected QMLK?
4. What are the legal changes that have affected QMLK?
5. How have changes in technology impacted on the strategies adopted by QMLK?
6. What are the specific areas adversely affected by these changes?
7. To what extent have these changes impacted on QMLK?
8. At which level in the organization are strategies made?
9. How does QMLK react to political, economic, legal and technological changes?
10. Describe some of the strategic responses used by QMLK
11. In your own opinion, does QMLK respond to changes reactively or proactively?
12. Does the company consider resource requirements when implanting a strategy?
13. What is the influence of external environment on strategic plan adoption by the company?
14. What is the likely influence by competitors when deriving strategic response?
15. How often does QMLK review the effectiveness of strategic responses?