

RESPONSES OF NAS AIRPORT SERVICES LTD TO ENVIRONMENTAL CHALLENGES IN THE CATERING INDUSTRY IN KENYA

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A Management Research Project Submitted In Partial Fulfillment of The Requirements of A Master of Business Administration (MBA) Degree, Department Of Business Administration, School of Business, University Of Nairobi.

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DECLARATION

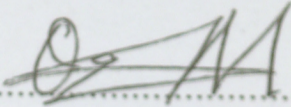
This project is my original work and has not been presented for a degree in the University of Nairobi or any other university.

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

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ACKNOWLEDGEMENTS

I would like to dedicate this research to my daughter Tamar and my family who have been a big source of inspiration to me. Their support and encouragement both in time and kind throughout this course. My daughter's understanding, for the times she felt neglected as I spent time away from her in pursuance of this course.

An appreciation goes to my colleague and friend Mumbi for her assistance, ideas and advice and to the NAS Airport Services' personnel for their cooperation and input, which made the research possible.

A special thank you goes to my supervisor, Dr Ogata for his time, guidance and suggestions as I carried out this research. Without his help this research would have been very difficult to complete.

Most of all I am grateful to the Almighty for giving me the resources, patience and enabling me to pursue this journey to the very end.

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1.1 Background

ABSTRACT

This research is based on the Kenya catering industry, a case study of NAS Airport Services which caters for the worlds' airlines and all the ground service units within the Nairobi and Mombasa airport areas.

This research was done to prove whether the theorists are correct when they state that organizations are affected by the environment in which they operate and that this environment brings challenges to these organizations. They also state that it is imperative for organizations to respond to these challenges in-order to survive.

Using NAS Airport services as a case study I looked at the global and local challenges that have faced and continue to face the organization. Like the recent terrorist threats, high fuel prices and high costs of production. I also wanted to find out whether the organization responded to these challenges, and whether indeed the challenges have necessitated the rapid response by the organization in-order to survive in the catering industry. The organization has responded either strategically or operationally to the challenges they have faced. These responses have been responsible for the organizations growth, leadership position and survival in this unique field for the past 55years.

1.1.1 Organization Responses to the Environment

A firm is part of its environment, it interacts with its environment both as a receptor as transmitter of signals to the environment. The character of environment the firm faces is importantly shaped by interdependencies and transactions that occur entirely outside the domain and realm of influence of the organization. (Stoffels, 1994) If a firm is to succeed in positioning itself in future competitive situations, its strategic managers must look beyond the limits of the firms own operations. They must consider what the relevant others are likely to do.

Organizations will have either strategic or operational responses to the environment or both. (Ansoff and Mc Dermott, 1990) Operational responses are functional and are concerned with achieving specific tasks efficiently and effectively with known resources. It is an activity concerned with creating, operating and controlling a transformation system which takes inputs of a variety of resources and produces outputs of goods and services which are needed by customers. The organization is made up of several subunits or

CHAPTER 1: INTRODUCTION.

1.1 Background

All firms exist in an open system. They impact and are impacted by external conditions largely beyond their control. For organizations to achieve their goals and objectives, they have to constantly adjust to the environment (Pearson and Robinson 1997) which is turbulent and constantly changing. Adapting to the environment and responding to it ensures survival for the organization. The responses affect the organization strategies and operations. Using NAS as a case study, we shall see the environment challenges the organization has faced and how they have responded to them, overcome them so as to survive for 55 years. This study will be of significance to other organizations in the catering industry that face similar challenges.

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departments which interact with each other and the environment. The subsystems or departments are perceived as input-output systems. Each department contributes to transform the product system which takes in raw materials and transforms them into finished goods. (Harrison, 1993)

Strategic responses and planning are concerned with how to plan for the use of the organizations resources to pursue long term objectives. Strategic management entails planning, implementation and control. The positioning and relating of the organization to its environment in a way which will ensure its continued success and make it secure from surprises. Organizations are forced to respond to the environment due to competition. Strategic responses ensure that an organization is ready for the challenge and has planned on how to combat the obstacles. Strategic responses include leadership of the firm, where the leader should be committed and competent to handle the changes that will ensure they succeed in fighting the challenges. The organization will need someone who appreciates that the environment plays a major role in forming the organizations strategies. This leader could either be the CEO or a change agent. (Kotter, 1996)

The environment can be analyzed through the SWOT analysis and industrial analysis; this will assist with coming up with the organizations weaknesses so as to turn them into opportunities. The analysis will forecast the changes that can affect the firm. This enables long term planning as a response which shows the firms focus and direction, implementations and reviews. (Banerjee, 1999)

Developing and sharing in the strategic vision and mission of the organization sets the organization apart from the others and gives it an identity, business emphasis and development path. Ensuring the understanding and communicating of corporate policies to all employees so that everyone can understand and participate in making the change in order to succeed. Line managers and supervisors should translate these strategies into action. (Strickland, 1998). Organizations should document clear company values to show what the organization holds to be important. The employees should be made to understand

the importance of the customers who are to be treated as partners to foster mutual growth. Without the customer, there is no organization.

The human resources department has also had to reorganize itself because the personnel they hire are critical in making an organization achieve and succeed in its strategies.

The organization should attract, develop and retain high caliber staff who come up with fresh new ideas. (Pearce and Robinson, 1997)

Products and services should consistently maintain their high quality and be cost effective. To ensure this the organization should have resources for the necessary capital assets, technology and modernization put in place so as to be able to compete on the same level with the competitors. Use strategies like differentiation to establish in the customers mind "high quality image" or concentrate on a narrow market segment like a niche.

Strategic partnerships, alliances and mergers are strategies used by firms as a way of showing commitment, ensuring survival by merging the strengths and resources of both companies to fight competition. In return the firm will gain consistent financial performance to benefit all stakeholders. (Byars, 1991)

Social responsibility is a way of giving back to society by ensuring the environment stays clean, ensure there is no pollution, use of recyclable material and bio-degradable inputs and packaging. Being responsive to communities needs by giving to charities, and good causes, ensuring the organization manufactures products that are safe, reliable and of high quality. Ethical practices and corporate governance should be observed throughout the organization. (Donnelly et al, 1992)

Operational responses ensure the right processes, procedures are in place. Putting in place quality measure systems and adding value in every process. Quality is what the customer demands and should ultimately lead to zero defects policy to minimize waste, which adds to production costs. Organizations strive to be a cost leader by keeping total costs lower than those of the competitors, by low input prices, great efficiency in operations and

distribution. Organizations should operate at high volumes so that they can realize economies of scale.

Changing the structure of the organization so that it can be flat reduces the hierarchy and communication is easier for all. Departments are also merged and personnel recruited are multi- skilled staff to reduce duplication of work and reduce costs. The human resources department encourages team work especially at the operational level which is developed through in-house training, developing and organization .Performance appraisals keep the employees on their toes, and their comments, suggestions and feedback keep the employees involved.

Customer satisfaction, performance measurement, and complaints forms are built into the normal processes and procedures. Have audits carried out by recognized and respected firms so that they can rank and range the company. This is used as a form of benchmarking. To ensure that quality and customer satisfaction is maintained, organizations will use procurement strategies that encourage supplier partnerships or development. This improves the relationship, capability, quality of goods and lowers the costs. Suppliers are rated and the quality reports are done constantly. (Banerjee, 1999)

The technology department does the design and research. It is used to research what competitors use to make the work flow easier, and cheaper. The information technology department is used by an organization for creating innovating design processes and products that will best suit the organization.

All these are conscience efforts by the organization to react to the environment and keep the competitors at bay. (Johnson and Scholes, 1990) "The environment is such a dominant influence that most organizations are unable to influence.....all they can do is keep costs down, learn to be as good as possible at forecasting changes in the environment and respond as rapidly as possible to such changes."

Organizations that do not respond or respond inappropriately will not be able to survive the competition, or turbulent environment, they will perish. Others might just survive without making any profits for they are not clear who their market is and what exactly the market needs. Customer dissatisfaction due to organizations who give the market what they are good at producing, as opposed to what the market wants them to produce. They do not satisfy the customer who ultimately will abandon them.

Without the environment and its effects the organization is unable to plan and strategize. Therefore it operates in a vacuum, in isolation and when the organization is encountering problems there is no recovery plan or planned resources. A mismatch between strategy options and the forecasted opportunities, which makes an organization focus on the less important areas, pour resources and at the end of the day waste time, resources and perish. (Johnson and Scholes, 1990)

1.1.2 Catering Industry in Kenya

The Kenyan catering industry is highly dependant on the tourism industry except for cafes that are frequented by the locals. This industry in Kenya is congested with new eating places opening every day. The competition is very stiff with most businesses targeting a niche market. This has the effect of dividing the industry into categories with each targeting different clientele.

There are the Jua kali make shift eating places, Cafes, Restaurants, Hotels, Airline catering, Industrial catering. The jua kali eating places are run by small scale business people and they normally target low income workers like construction workers and are located near the construction sites and industries. Most are make shift or semi permanent structures. The cafés are normally located in the city centre and in shopping centres in the estates. They specialize in deep fried fast food like chips, chicken and snacks. They target the college and working class. A few specialize in African foods which cost more than the fast foods. These make up majority of the eating places and are run by middleclass

businessmen. The restaurants are mostly found in the towns or suburbs and are frequented by the middle class, working professionals. In these establishments there is more variety of food offered, the décor and ambience is considered. Some specialize in outside catering and are hired for functions. A few have ventured into offering sandwiches to the domestic flights, long distance buses and terminal cafes at the airport e.g. Green corner and Home park caterers. Carnivore restaurant are also famed for offering game meat.

Hotels have restaurants and they offer room service for the clients that are accommodated in the hotel. Here they cater for a wide range of taste because of both their international and local clients. The guests should feel at home and at the same time be able to experience other foods from other regions. The chefs employed in the hotels are professionals. The rates target the up market clients who are boarding in the hotel and also walk in customers. Hotels are rated by stars with the five star hotels being the most luxurious. The food has more choices of cuisines and courses. Ambience, deco and mood are very important and that is why the hotels will offer entertainment like live bands and soft piano music while guests are eating. Some hotels do industrial catering like wedding functions or office parties and cater for passengers in the airport lounges like intercontinental hotel.

The airline catering industry caters mostly for flyers on aircrafts. These meals are normally paid for as part of the ticket fare. There are limited choices of meals on the aircraft and passengers concentrate more on quality and presentation than anything else.

The airline catering industry also has moved into corporate catering where they cater for staff from different companies e.g. NAS offers General Motors staff hot lunch. They have also ventured into industrial catering gaining contracts from Mater Hospital, General Service Unit among others. A lot of their catering is also for the units that are found in the terminals, which are cafes, lounges, pubs and restaurants at the airport.

The catering industry faces many challenges; it is over dependent on the tourism industry. When there is a slump in the tourism business and it is very low, most hotel workers are retrenched. The slump is caused when tourists visiting the country reduce in number due

to statements like those made by the American and British governments when they issued advisories about travel warnings, this affected the tourists trickling into the country and hence most catering facilities suffered as well. (New York Times, 2006) The Kenya association of hotel keepers and caterers (KAHC) are grateful for the government lifting visa requirements from their traditional markets. They feel concessions are vital during unprecedented slump which affects UK, Belgium, France, Switzerland, Luxembourg and Netherlands which is 60% of the tourist traffic income. (Daily Nation, 1999)

The Kenyan economy also causes a challenge because most Kenyans live a 'hand to mouth' existence. They can barely make out a living let alone take up domestic tourism and eating out in restaurants. These are luxuries that most can not afford. This has lead hoteliers to come up this innovative ways to capture the potential clients like giving a percentage off the normal rates during off-peak season, special packages for honeymooners and groups vacationing together. Most hotels have had to add something extra to keep the clients loyal like bed and free breakfast, happy hour free drinks, entertainment and kids gifts.

Power and water rations especially during the draught season has made many establishments to either close, spend money on generators, buy water, build water tanks, or dig bore holes. As a consequence this has increased the cost of running these establishments. Costs of ingredients, staff salaries, utilities, keeping the hotels, restaurants to the standards expected by the public and ensuring it remains popular "the in place to be" is a never ending task (Africa, 2005). To add to their cost there are the huge government taxes and levies especially for the big hotels and restaurants. Hoteliers are keen on having the government grant them a tax moratorium for one year and to act as a guarantor for a World Bank loan they seek. (Daily Nation, 1999)

Negative publicity by the media showing vivid pictures of the unrest in the country and terrorism like the Kikambala bombing, land clashes, torching and razing hotels to the ground, plus the high crime rate in the country just keeps the tourists away. For the

catering industry to survive it has to appreciate it is influenced by the environment around it and it has to come up with responses to these challenges.

1.1.3 NAS Airport Services Ltd

NAS Airport Services Ltd is a privately owned Kenyan based company, internationally recognized for in-flight catering services. It is one of the longest established catering specialists in the world, with a tradition of excellence in service to airlines.

NAS Airport Services Limited was founded in 1949. The founder, Robert Gabriel Seaman registered the company to sell sandwiches to aircrafts operating at the military base in Eastleigh, Nairobi, Kenya. Ten years later when a new international airport in Embakasi, Nairobi was opened, Seaman changed the company name to NAS Holdings limited and relocated to the new facility. In 1965, NAS Holdings Limited formed NAS Airport Services Limited.

From a humble beginning operated from a wooden shack, today NAS boasts of a state-of-the-art world-class facility with fully integrated catering services, loading and off-loading, laundry, bonded storage and dry goods uplift, serving local and international airlines landing at Kenya's premier airports in Nairobi and Mombasa. NAS' current operations are at Jomo Kenyatta International Airport, Moi International Airport and Enterprise road, Industrial area Nairobi. The NAS group of companies includes NAS Airport Services Limited, NAS Plastics, Chloride Exide, ABM, Ennsvalley and Kenchic.

The core business of NAS since conception has been airline catering. Of the total airline meals produced in the East African region, NAS' market share is 79%, while In-flight catering services limited in Tanzania and Uganda command 14% and 07% respectively. (NAS strategic plan, 2005)

NAS Airport Services is facing some challenges and the most important one being it wants to become more globally competitive and overcome the monopoly status 'comfort zone' mentality and complacency. NAS is not globally competitive and competition is emerging from current customers. NAS must also strive to broaden their customer base which is largely dependent on airline business. High cost of airline fuel has caused airlines to spend more on fuel, which forces them to bargain for less expenditure on food hence affecting the catering NAS revenue charter.

Bird flu epidemic has really dealt a blow to the consumption of chicken both locally and internationally. This has affected Kenchic which belongs to one of the NAS group of companies.(Daily Nation,2006) With the sales dropping by 06% the company has had to come up with innovative and inviting ways to consume the excess stock of chicken in the factory hence the chicken burgers, marinated chicken, chicken sausages. The government of Kenya has been very helpful in informing the public about the bird flu and insisting it is not in the country. This has had a positive impact on the population with the chicken consumption slowing picking up.

Ineffective controls of variable costs which end up making the organization spend a lot of money to produce the products and services. Bigger, more frequently used fleets require better operations equipment and more personnel therefore increasing the cost of production. Inadequate use of automation of critical operational areas has lead to labor intensive operations. For the organization to compete effectively in its field it needs to modernize the working structures and equipment. The biggest problem is that Kenya has so much abundant labor and as a means of creating jobs most have remained manual.

Political and Legal environment has been the greatest concern for the company. Insecurity, terrorist threats and negative travel advisories ultimately affect the organizations revenue because the flights will not have passengers. Unfriendly government policies and dilapidated infrastructure are not conducive for business operations.

The economy is recovering very slowly; the day to day operational costs are very high with the increase of fuel which has had a domino effect on the cost of everything else. Increased poverty and unemployment levels generally are the major cause of high crime rates and pilferage of goods. Finally NAS as an employer is facing brain drain where it uses its resources to train the new staff and hold ongoing refresher training courses just for the now competent employees to be poached or to look for jobs elsewhere. Most of the NAS staff are moving to Emirates catering unit in Dubai, and other five star hotels in the city and the U.K.

1.2 Research Problem.

Catering firms lack proactive efforts in reaching out to nurture customer relations. Most caterers do not create long lasting relationships with their suppliers. The suppliers should feel as if they are part of the industry- partners and in this way will strive to have a win-win situation with both parties.

The industry is very competitive and the market is congested. There is fierce competition especially between medium and small enterprises. The market trends keep changing and a new hot spot opens all the time. Therefore the hoteliers and caterers must be on the look out to ensure they keep up with the current needs and tastes or they will be rendered obsolete.

The industry should embrace and utilize (ICT) information communication technology advancements. They can use it for advertising in the World Wide Web, so that the caterers can reach a wider audience, comparison with competitors and their current trends. Online purchases and payment of suppliers, partnership relationships with automated reorder levels showing on both customers and suppliers end and finally keep abreast with the latest developments worldwide.

To set themselves apart from the rest the catering hotels and restaurants are coming up with innovative ideas to pull the customers with nights for particular ethnic communities so that they can fuse culture, entertainment and eating. This is proving to be a crowd puller. The hotel cooks only foods from that tribe and people dance to songs from that community.

Measures to reduce cost and make production cost effective should be put in place. Ineffective control of costs of raw materials, high cost of electricity and fuel, high cost of rent in buildings especially in the Central Business District. If located in the suburbs, the poor roads infrastructure increases the cost of fuel and vehicle maintenance.

In-flight catering, hotels and restaurants are dependant on tourism, which is affected by the political and legal environment and politics of the government of the day which either encourages Kenya as a tourist destination or hinders it by having high crime rate, violence in terms of clashes, bomb scares and negative publicity.

With the economy's slow recovery and inflation, fewer Kenyans are willing to eat out in fancy restaurants and hotels. A luxurious meal is not a priority in their group of needs. The minority affluent and middle class Kenyans living patterns are changing, with most families in the towns prefer eating out on weekends or during special occasions. Caterers also get business during functions since they are hired to provide the food. Peak days are now only on weekends and this has forced most caterers to embrace outside catering.

To overcome these challenges it is important for the industry to undertake environmental scanning and industrial analysis so that it can be prepared for any changes that will affect it. This helps in the strategic and operational planning, planning of purchases, scheduling the cooking ingredients and coming up with strategies that can help the company to cut down on its costs. It also helps the organization to either concentrate on core activities or diversify depending on the external environment and think of ways for the company to survive in the future. It helps to put strategies in place so as to achieve the corporate goals

these will definitely affect the working processes and procedures, putting control measure every step of the way.

By companies conducting environmental scanning in the form of SWOT analysis and PEST, they get to find out not only their strength but most importantly their weaknesses and hence work on overcoming them. Through their competition they get to find out their threats and have the opportunity to turn them into opportunities. Forecasting is very important for the organization so that it can be forewarned and prepared before the oncoming difficulties.

By studying NAS most companies in the industry can relate to the problems it has faced and how the company has over come them .Maintaining not only the leadership position but trying to make even bigger profits. NAS has survived many environmental changes in the last 55 years and this is proof that they must be doing something right. They have managed to change with the times as the environment dictates and even changed their mission and vision. NAS has been a success story which others in the industry can emulate.

As much as it is important to have responses, scholars have not given this area a lot of attention hence the knowledge gap. Only one study (Mittra S, 2001) has been done in the hotel and restaurant industry and its main focus was strategic planning practices within the hotel and restaurants in Nairobi.

1.3 Research Objectives

The two objectives of this research are

- (i) To determine what NAS Airport Services Ltd considers to be its environmental challenges.
- (ii) To determine how NAS Airport Services Ltd is responding to the environmental challenges.

CHAPTER 2: LITERATURE REVIEW

1.4 Importance of the Study

The following is a theoretical account of the documented journals, books and the study is important because it will contribute to the body of knowledge in academics of organizations.

NAS will be an example to the catering institutions on how to overcome challenges and what needs to be done so as to succeed in a competitive environment. It will assist owners of catering institutions to plan ahead and anticipate changes that may affect the industry. It will help the catering workforce to be more proactive and flexible to change.

Environment has been defined differently by different authors. The environment refers to The government can use this study when formulating policies and regulations that will affect the industry. an organization plans to operate (Pearson and Robinson, 2002). The environment of an organization like that of any other organic entity is the pattern of all the external conditions and influences that affect its life and development (Andrew, 1972). Chandler, 1962; Andrews, 1971; Drail, 1986; and Porter, 1991 all point out that firms are environment dependents and changes in the environment shape the opportunities and challenges facing the organization.

Any organization's environment is divided into two: the external environment and the internal environment. The external environment consists of variables that are outside the organization (threats and opportunities) and are not within the short run control of top management. These variables form the context within which the corporation exists. (Whetten and Thurgar, 1995). This external environment is made up of Task environment and the Societal environment. Societal environment are those that do not touch short run activities of the organization but influence its long run decisions e.g. economic, social, cultural, technological and political legal forces in relation to a firm's total environment.

Macro environment: It consists of broad environmental factors that impact on almost all organizations. The PESTEL framework looks at the way in which future trends in political, economic, social, technological, environmental and legal environments might

CHAPTER 2: LITERATURE REVIEW

2.0 The following is a theoretical account of the documented journals, books and the media on the meanings of environmental challenges, strategic and operational responses of organizations.

2.1 Environmental Challenges

Environment has been defined differently by different authors. The environment refers to the general business setting created by economic, technological, political and social forces in which an organization plans to operate (Pearson and Robinson, 2002). The environment of an organization like that of any other organic entity is the pattern of all the external conditions and influences that affect its life and development. (Andrew, 1972). Chandler, 1962; Andrews, 1971; Draft, 1986; and Porter, 1991 all point out that firms are environment dependent and changes in the environment shape the opportunities and challenges facing the organization.

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Macro environment: It consists of broad environmental factors that impact on almost all organizations. The PESTEL framework looks at the way in which future trends in political, economic, social, technological, environmental and legal environments might

impinge on operations. Examples of the Political trends are the government stability , tax policies; Social-cultural are population demographics, levels of education and income distributions; Environmental are waste disposal and energy consumptions; Economic are the GDP trends, inflation, unemployment; Technological discoveries and development, government spending on research; Legal like employment law, product safety and health and safety .The implications of PESTEL factors are understood by identifying a number of structural drivers of change which are forces likely to affect the structure of an industry, sector or market. Due to high levels of uncertainty arising from complexity or rapid change, scenarios are used to understand the future impact on the environment. Scenarios are detailed, plausible views of how the business environment and organization might develop in the future based on environment influences and drivers of change about which there is high levels of uncertainty. (Johnson and Scholes, 1990)

Task environment includes groups that are directly affected or affect the organizations operations. These are groups like shareholders, governments, suppliers, local communities, competitors, customers, creditors, trade unions, special interest groups and trade associations. These groups are all known as the industry. (Wheelen and Hunger, 1995)

Industrial environment: It consists of a group of firms producing the same principal product or firms' producing products that are close substitutes for each other. It is important to understand the competitive forces acting on and between the organizations. The five forces framework helps in the understanding and identifying of the sources of competition in an industry or sector. 1) The threat of entry are barriers to entry which are seen as delays not permanent barriers. These are factors that need to be overcome by the new entrants if they are to compete successfully. Like economies of scale, capital requirements of entry and experience. 2) Threat of substitutes, substitution reduces demand for a particular "class" of products as customers switch to alternatives. Substitution can take the form of product-for-product substitution, substitution of need by a new product or service, generic substitution. 3) The power of buyers and suppliers; The power of buyers is high if there is a concentration of buyers who do high volume

purchases. If there are a large number of suppliers alternative sources of supply, cost of switching a supplier are low, and if there is a threat of backward integration. The supplier power is high if there is a concentration of suppliers, the cost of switching a supplier is high, the brand of the supplier is powerful, a possibility of the supplier integrating forwards and if the suppliers customers are highly fragmented.4) Competitive rivalry are organizations with similar products and services aimed at the same customer group. Competitive rivalry is affected when competitors are in balance or equal size, market growth rates, high fixed costs, differentiation, extra capacity in large increments and high exit barriers. (Johnson and Scholes, 1990)

Internal environment: This consists of (strengths and weaknesses) that are within the organization itself but not within the short run control of top management. They form the context in which work is done. These include corporate structure, which is the way the organization is organized in terms of communication, authority, and workflow; culture which are beliefs, expectations and values shared by the organization members; and resources which consist of raw materials, financial assets, plant facilities and people skills. (Wheelen and Hunger, 1995)

Organizational fields or Operating environment: This is where organizations are networked through economic links and other relationships with a series of other organizations and not just other producers like the important relationship with suppliers, distributors, trade associations or regulatory bodies. This network is called the organizational fields and they are important because they constrain, guide, even dictate economic decisions and priorities such as resource deployment. They also affect the organizations legitimacy, how well the organization understands its customers needs and how well it is able to meet those needs determines its success or failure. Therefore understanding the markets, market segments, differences and similarities between groups of customers and users is important (Johnson and Scholes, 1990). A SWOT Analysis summarizes the key issues from the business environment and the strategic capacity of an organization that are most likely to impact on strategy development. The aim is to identify

the extent in which the current strengths and weaknesses are relevant to and capable of dealing with the threats or capitalizing on the opportunities in the business environment.

In my view the conclusive definition of the firms' environment is that both the external and the internal forces play a role in the organizations decision making. The external is made up of the political, social, economic, technological and environmental concerns whereas the internal is made up of the industry, and the stakeholders. All these affect the decisions made by an organization and affects how an organization reacts within the industry. Organizations which respond to the environment when making decisions will ultimately succeed.

Changing technology that might affect the firms' raw materials, operations, products and services, also offer opportunities for improving goal achievements and threaten the

Challenges are defined as encounters an organization faces. These encounters could be problems, hiccups or threats that a company faces. These challenges are brought about by the environment in which the organization operates. Organizations face many challenges among them being past and future economies that can affect the fortunes and strategy of the firm. The stage of the business cycle of a company which can be the depression, recession, recovery or prosperity stage also affects. Inflationary or deflationary trends affect the prices of goods and services. If inflation is severe, wage and price controls may be imposed. Recession leads to unemployment, which leads to lower sales of discretionary goods. If monetary policy is tightened, funds needed for plant additions may be too costly or unavailable. Tax policies reduce the attractiveness of investment in the industry or reduce after tax income of consumers leading to lower spending. Inflation has led to cost cutting, quality control, product diversification and better debt management. Change in economic conditions may be good for one firm but bad for another. Strategists must determine what economic factors are most important to their business and attempt to predict the changes which are likely in these conditions (Juach and Glueck, 1988).

Climatic and ecological concerns are threats from unforeseen weather changes which influence some firms whose products are seasonal. Others are ecological issues such as

protection of endangered wildlife which affects industries located near forests and those that use wildlife for some of their raw materials. (Johnson and Scholes, 2002)

Social factors are also part of the environment which focuses on values and attitudes of people, customers, employees which can affect strategy. These values translate into lifestyles changes which affect the demand of products and services or the way firms relate to employees. Increased education has led to new attitudes of employees on the hours they wish to work, supervisory style, expectations and due to many people moving, the organization cannot ignore the cultural values (Whellen and Hunger, 1995)

Changing technology that might affect the firms' raw materials, operations, products and services can offer opportunities for improving goal achievements and threaten the existence of a firm. For example computers, lasers, industrial robots, and computer controlled machines. Technical changes affect the product and services, lifecycle and its demand (Byars, 1991). A product experiences remarkable sales growth, it then matures and finally declines. Firms spend a great deal of energy trying to determine where they are in the cycle so that they know how to invest their efforts. Risks are investments in technology, innovation without the assurance that it will be accepted.

2.2 Firm Responses

The government affects how a business operates; the laws and regulations change the operations of a business daily and the government philosophies about the relationship with a business change over time. Actions by the government affecting strategic choices of a business. (Garland J, 1986) They can increase opportunities and threats or both, for example the government can be a large purchaser of goods and services, it can protect home producers from "unfair" foreign competition. The government can influence other environmental sectors like the social economic conditions through fiscal policy, zoning and other regulations. It can thwart or promote innovation and technology; it affects supplies of labor and materials, especially supplies of capital. It can be a direct competitor or influence competition. (Comerford and Callaghan, 1985) The government is very uncertain with constant changes and new interpretations of efforts makes planning very

difficult so political action committees and a variety of approaches are used to try to influence government actions and reduce uncertainty.

The customer can cause challenges especially with the buyer identification, the demographic factors create changes in certain customer classes. The geographic locations of the market groups also create changes in consumption, the costs of raw materials, subassemblies and substitutes all cause challenges.

Other pressures from the environment are internal to the organization like the strategic alternative which will be affected by its perceived compatibility with the principal stakeholders in a corporation's task environment. Creditors want to be paid on time, unions exert pressure for comparable wages and employment security, government and interest groups demand social responsibility and share holders want dividends. If a strategy is incompatible with the corporate culture, the employees will fight, resist, foot-drag and even sabotage. The strategy selected should not run contrary to the needs and desires of the important top managers or they will lobby against it.

2.2 Firm Responses

All organizations have to respond to these challenges in-order to survive. It is even more prudent for an organization to seek prior knowledge of the challenge before it occurs so as to prepare for it. "The environment is such a dominant influence that most organizations are unable to influence.....all they can do is keep costs down, learn to be as good as possible at forecasting changes in the environment and respond as rapidly as possible to such changes." (Johnson and Scholes, 1999). Organizations that do not respond or respond inappropriately will not be able to survive the competition, or turbulent environment, they will perish. Hofer and Schendel, (1978) maintain that for firms to be effective and successful they should adapt appropriately to changes that occur in their respective environments.

Organizations will have strategic and operational responses to counter these challenges. Strategic responses differ from operational responses in many ways. While operational responses are short term and more concerned with efficiency of operations, strategic responses are long term in nature and embrace the entire organization. Strategic responses also involve large amounts of resources and decisions relating to them are usually made at corporate and business level (Naylar, 1996).

2.2.1 Strategic Responses

Changes are taking place in both the environmental situation and the firm's internal situation. A strategic response is creating a good strategic awareness which involves a clear appreciation of events and trends in the external environment and the overall competitive situation. The use of strategic controls is necessary to steer the firm through these events, developments and changes. Strategies are also used by firms to monitor and benchmark competitors to ensure they create and sustain some form of competitive edge. Andrews(1971) defines strategy as the pattern of objectives, purpose or goals and major policies and plans for achieving the goals stated in such a way as to define what business the company is in, or is to be and the kind of company it is to be. Hofer and Schendel (1978) define strategy as a fundamental pattern of present and planned resource deployments and environmental interactions that indicate how the organization will achieve its objectives. Strategies are forward looking, designed to be accomplished several years in the future and based on management assumptions about numerous events that have not yet occurred. Strategic responses pursue long term objectives and encompass planning, implementation and control.

A firm can exercise little control over external events; it must anticipate and understand them. If environmental scanning can enhance the predictability of the event itself or the opportunity for strategic responses to it, then the firm has an incentive to spend resources

on scanning (Stoffels, 1994). Environmental scanning is to identify the economic, political, social trends and demographics, technological, competitive and geographic factors that have an impact on the firm and then assess their potential as opportunities or threats. It increases learning, increases responsiveness to enhance adoptability of decision making process and encourages environmental forecasting.

Organizations will initially respond by developing or ensuring a strategic vision and mission is in place. This statement is to set an organization apart from others in its industry and give it its own special identity, business emphasis and path for development. The corporate strategy is the company's overall direction in terms of its general attitude toward growth and the management of its various businesses and product lines to achieve a balanced portfolio of products and services. A decision regarding the types of business in which a firm should be involved, flow of financial and other resources to and from its division, the relationship of the corporations to key groups in its environment. An organizations strategy evolves over time. The future too unknowable for the management to plan a company's strategy in advance and encounter no reason for changing any area is almost impossible. Reacting and responding to unpredictable happenings in the surrounding environment is a normal and necessary part of the strategy making process. "There is always something new to react to and some new strategic window opening up... Countless events make it desirable to alter first one and then another aspect of the present strategy. That is why the task of craft strategy is never ending." (Thompson and Strickland, 1998), organizations use premise control which is designed to check systematically and continuously whether the premises on which the strategy is based are still valid. Planning premise is concerned with environmental and industrial factors.

Policy development is a response to define the ground rules for implementation, flowing from the selected strategy to provide guidance for decision making and actions throughout the organization. Some will be expressions of critical factors which determine a company's strategic success or failure emphasizing its distinctive competence to ensure competitive advantage (Wheelen and Hunger, 1995)

Competitive or business strategy emphasizes improvement of the competitive position of a corporation's products or services in the specific industry or market segment. This can be further stressed by embracing continuous improvement which is a way of providing strategic control that allows an organization to respond more proactively and timely to rapid developments in all areas that influence a business success (Pearce and Robinson, 2003).

Strategic surveillance is designed to monitor a range of events inside and outside the firm that are likely to affect the course of its strategy. This surveillance is on going in all daily operations. Surveillance enables an organization to adopt Special Alert Control in time which is the thorough and often rapid reconstruction of the firm's strategy because a sudden and unexpected event has taken place like a sudden acquisition of a key competitor. When strategies are being implemented the organization can put certain controls in place, which are either to change the overall strategy or monitoring strategic thrusts (progressing as planned or needs adjustment) and milestone reviews which are critical events to be reached.

Finding the firms "market niches" that are well suited to the products, services and capabilities the organization has to offer. Failure to find a suitable niche leads the organization to encounter elements that can cause harm or even destruction (Rowe, Mason, et al, 1994). Strategic segmentation is also used to visualize the competitive arena, it helps convert differences from the competitors into sustainable competitive advantage for the company. This enhances understanding of different competitive environments and the forces driving an industry.

Assessing the international environment as a basis for superior performance abroad is important because most organizations are closely linked culturally, economically, and are significant when entering foreign markets. Benchmarking the company with an international organization is a way of ensuring superior performance. The value -adding corporate parent company, is a way of adding expertise and efficiency in the organization

(Johnson and Scholes, 2002). Most companies are adopting the ISO 9001 standards which focus on achieving customer satisfaction through continuous measure, documentation, assessment and adjustment. By adopting ISO standards firms foresaw not only a competitive advantage but also the value of quality management system implementation to achieve customer satisfaction. They in turn are imposing the ISO 9001 standards on suppliers as a condition to do business. (Oakland, 1993)

The Balance Score Card is viewed as a management system that enables companies to clarify their strategies, translate them into action and provide meaningful feedback. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. By fully deploying the balance score card the strategic planning is transformed from a top management exercise into the nerve centre of an enterprise (Kaplan and Norton, 1996).

An organization being an innovator is another strategy that ensures they are leaders or pace setters. A research and development organization is either a technology leader or follower. In one of Arnold Coopers readings the innovators dilemma is highlighted as not being about technology development but it's ultimately about technology commercialization which is about investing in new market creation, rather than creation of new technologies (Christensen and Bower, 1996)

Globalization has pushed firms to seek collaboration with other players in the industry to enable them to compete effectively. These collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising, partnerships. Shollei (1999) emphasizes that in order to fortify a firm's position against predators from abroad it is important to collaborate. Globalization is also enhanced by the use of the internet and E-commerce has created a competitive advantage for some organizations. Most companies are to change their business models and reengineer their businesses around the Web Media and technologies. This enhances new low cost structure, competitive new technology and sophisticated service (Christensen, 1999)

The three generic competitive strategies which can help a firm develop a competitive edge over its competitors in a competitive environment are either a strategy of overall cost leadership or differentiation strategy or focus strategy. All the above strategies are efforts to achieve one of Porter's competitive strategies. Porter's analysis also identifies major competitive forces and assesses their impact on the company's present and future market positions (Porter, 1980).

2.2.2 Operational Responses

Operational responses can give an organization competitive advantage which can be created and sustained for each business or activity through a variety of functional strategies and opportunities for adding customer value and how each must add value for the organization if the portfolio of activities is to generate beneficial synergies (Thompson J, 1990). The operations or functional strategy determines how and where a product or service is to be manufactured, the level of vertical integration needed, the deployment of physical resources required and the relationships with the suppliers desired. Functional strategies translate grand strategy at the business level into action plans for subunits of the company. Operating managers assist in developing these strategies which in turn help clarify what the manager's units are expected to do in implementing the grand strategy. Functional strategy is a short term game plan for a key functional area within a company. These strategies clarify the grand strategy by providing more specific details and completeness about how key functional areas are to be managed in the near future.

(Stoffel, 1994) Organizations can also change their structure to the functional one as a Juan and Glueck (1988) say well executed functional strategies gives the organization competitive and valuable competencies, capabilities and resource strengths. These strategies are concerned with the narrow initiatives and approaches for managing key operating units and for handling daily operating tasks with strategic significance. Functional strategy maximizes resources productivity leading to a distinctive competence

that gives a company or business unit a competitive advantage. Functional strategies pull together the various activities and competences of each function to improve performance.

Functional strategies must be developed in the key areas of marketing, finance, production or operations, research and development, and personnel. The strategies mostly deal with capital funds acquisition, fund allocation, dividend, research and development, modify, refinement, centralized facilities, automation, purchasing sources, operations planning and control for example inventory, job specialization, safety standards, personnel career development, recruitment, training and policies communication.

Naylor (1996) says the objectives of operating responses are reliability, consistent quality, low cost and price, rapid services and little waiting time for units. Controlling cost is the key objective of operations responses and building quality into the product or service. Success factors are capability and capacity, efficiency, adaptability and product range.

Market development strategy is developed to capture a larger market share of an existing market for current products through market saturation and market penetration (Banerjee, 1999). The extension of the product life cycle through new improved variations of product and packaging so that it appeals to market niches. Marketing department is concerned with the services required by customers and targets for resources utilization. They also determine the objectives of the operating system. The financial structure provides funds to achieve overall objectives.

(Stoffel, 1994) Organizations can also change their structure to the functional one as a response to competition. The organization can become centralized with corporate and competitive strategies being controlled by the strategic leader. Structures can be built around the tasks which are carried out, split into specialist functional areas which are headed by managers. Effectiveness depends on the ability of the managers to work together as a team and support each other and the ability of the leader to coordinate their efforts. Functional structural and process reorganization such as restructuring,

reengineering, total quality management, rightsizing and outsourcing are measures a firms takes in order to improve their efficiency of operations.

An organization can also adopt Total Quality Management which is built around the intense focus of customer satisfaction, on accurate measure of every critical variable in a business operation, on continuous improvement of products, services and processes, on working relationships based on trust and teamwork (Pearce and Robinson,2003) Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed(Price Waterhouse,1997)

Value chain analysis is an operational response whose activities determine cost and affects on profit. A firm that seeks cost leadership position reduces the amount of resources it consumes and the price it pays for them. Decisions governing each activity in the chain determine the nature and quality of the output. This enables a firm to gain advantage through differentiation by performing value chain activities better than the competitors (Wheelen and Hunger, 1995).

Outsourcing affects the companies purchasing functions with a hope of savings in both costs and time.” Corporate union strategy aims to improve a company’s competitiveness with the premise that non-core services can invariably be acquired more effectively from an experienced outside provider, selected because it already has competitive advantage” (Thompson, 1990)

Retrenchment strategies are essentially functional and are aimed at making the company more productive and profitable while retaining essentially the same products and services although there might be some rationalization. Cost reduction strategies are begun at the labor costs. Redundancies maybe required in reducing cost and bringing capacity more in line with demand. Costs can be reduced anywhere and everywhere in the value chain. Better supply arrangements and terms to reduce cost, products can be redesigned to cost less without any loss in areas significant to customers and other activities such as public

relations, training, advertisement, research and development might be cut down. Assets reduction strategies can also be used and they include selling off some assets. Corporate strategy includes divestment of a business unit as a means of cost reduction (Naylar, 1996).

Turnaround strategies are designed to improve the effectiveness of the company's marketing, it involves changes in overall marketing effort including repositioning or refocusing on existing products and services together with development of new ones. It is an attempt to improve efficiency of the operations during a decline of an organizations financial situation (Byars, 1991)

(Walker et al. and Dr Harrauld, 1994) Organizations can only guarantee their long term survival by responding to the challenges brought by the environment. Most have a mixer of both responses which complement each other to achieve the overall goal. Six key areas that must be addressed to adequately define success before, during and after a response are: 1) human health and safety; 2) natural environment; 3) economic impact; 4) public communication; 5) stakeholder service and support; and 6) response organization. Each of these areas has critical success factors. By assessing these critical success factors, as part of a Balanced Response Scorecard, a response organization has the chance to modify actions during the response to ensure the best opportunity for success. Once fully integrated, the response evaluation model could influence the response process and community relations, and lead to increasingly effective response planning and operations. Minimizing consequences of an incident requires not only a sound management system, good people, and equipment, but also goals that can be measured against agreed upon standards or criteria. This base line will provide the opportunity for response organizations and communities to reach consensus on success, thereby improving our ability to protect our national interests and building an increased sense of shared stewardship.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 This chapter outlines the overall methodology that will be used to carry out this study. This includes the research design, data collection methods, data analysis, and chapter summary.

3.1 Research Design

The research design to be used will be the case study method. This method is best suited to identify the details of NAS Airport Services Ltd. It enables in-depth information to be collected on the company from the case being studied. This enables the study to be more focused, giving information which is specific and detailed.

Kothari (1990) defined a case study as a very powerful form of quantitative analysis and involves a careful and complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even an entire community. It is a method of study in depth rather than breadth.

3.2 Data Collection Methods

The main data for this study will be primary and secondary data, which will determine how NAS Airport Services Ltd has responded to the environmental challenges. In-depth interviews will be carried out to determine the challenges that have affected the company, and the company's responses to these challenges. This method has been used before in similar studies (Migunde A, 2003)

An interview guide (appendix 2) with the exploratory questions will be used to collect the relevant primary data for the study and company records will be used for the secondary data. The Appendix is divided into sections A, B, C, D, E, F, and G. Each section has a set

of questions which are relevant to the indicated department. Section A will be answered by the Managing Director and the other sections will be asked to the departmental heads. A letter of introduction (appendix 1) will be issued to the respondent before the interview. The respondents will be the heads of each department who have worked for NAS for at least five years. The major departments are catering/operations, production, finance, human resources, Information Technology and the Laboratory. The officers to be interviewed are expected to have an understanding of how NAS Airport Services Ltd has responded to the challenges affecting it in the last five years or more.

3.3 Data Analysis

The data will be analyzed using content analysis. The reason for choosing this methodology is because it does not restrict respondents on answers and has the potential of generating more information with much detail. The textual data will be recorded using a tape recorder, it will then be written down for analysis. From the type of answers given by the respondents observations and conclusions will be made.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 General Information

NAS Airport Services Ltd holds a monopoly in the aircraft catering industry. It has managed to survive for the last 55 years, overcoming the challenges as they appear so as to maintain this position. The organization is globally competitive and hence has been affected by the global challenges in the world like terrorism which affects tourism and the increased insecurity. This has affected the organization. Due to the tourism slump which means less aircraft passengers, fewer meals are uplifted which affects the organizations revenue. The threat of Terrorism has made it a requirement from our customers to increase security in our operations as a requirement for continued business from them. This has increased our costs in hiring security personnel, surveillance cameras and security seals.

A natural phenomenon which has been a challenge is the bird flu which has affected the subsidiary company Kenchic and the aircraft meals specifications. Inflation in the world has caused a challenge to the organization because as fuel costs increase the airlines keep on renegotiating for a further price reduction on the cost of meals. For the organization to continue making profits for its shareholders it has to keep its operating costs down. This has led the management to look into alternatives of doing this; like outsourcing some supplies from overseas, outsourcing service departments like cleansing and using substitutes if this will lower the cost without interfering with the quality.

The government is expanding the airport to accommodate more flights and Kenya Airways continues to grow its fleet. This has caused a challenge in that NAS will have to keep up with this growth by expanding their capacity, buying more vehicles and hiring personnel. It is necessary for the organization to plan for this growth if they are to continue serving their customers in a satisfactory manner.

Global competition with competitors in the developed countries has been a continuous challenge for NAS to ensure it is at par with the competitors. This has affected our performance, quality, and prices. To keep up with international standards the organization has had to keep up with information technology, market globally using the web sites, adhere to international regulations like IATA, have international bodies like MEDINA to check the standards and benchmark the organization with other catering stations worldwide. The laboratory and procedures are also ISO certified and the prices of the services offered are globally competitive.

The objectives of this research are to determine what NAS Airport Services Ltd considers to be its environmental challenges and to determine how the organization has responded to the environmental challenges cited.

4.2 Environmental Challenges and Responses of NAS Airport Services Ltd.

Data was collected through interviews using an interview guide. Content analysis was done and the results below are presented according to the three levels of environment namely the macro environment, industrial environment and the operational environment.

4.2.1 Macro Environment

Political challenge: The macro environment is subdivided into the political, economic, socio-cultural, technological, ecological, and legal challenges. The respondents felt that NAS faces some *political challenges* in that during the former political regime the organization had a lot of political good will from the senior members of the government who were major shareholders. Most of these directors have been mentioned in major national scandals. With the new regime NAS has to deal with bureaucracy like every other organization. They have to wait for government offices to process documents at their own time, submit certificates of good conduct which are required by the government in order to conduct any business in the airport area. The former directors had an amnesty with the

former regime but the new government had to do an audit on the company's tax returns because the Kenya Revenue Authority said the amnesty was not interpreted correctly, this interfered with the organizations operations. The organization's response was to comply which is both an operational and a strategic response. Adhering to the government showed compliance which would enable them to continue operating in the future.

The catering operations had been affected by the tourist advisories by the British and American governments especially after the kikambala bombing, which had the effect of reducing the tourists coming into the country and hence less business for NAS. This made the company get lower profits than the anticipated target. The response was strategic as NAS gave the Kenya Tourism Board headed by Matiba, full support in their campaign to reassure tourists that Kenya is a safe country. This was done through the financing of the board's advertisements. NAS also responded both strategically and operationally by boosting the security within the company. Surveillance cameras were increased, guards at the entry and exit points, seals and procedures for all the items leaving the NAS premises.

The laboratory at times faces politically correct suppliers who do not wish to undergo the mandatory supplier audits or feel that they have been unjustly audited. The organization cannot negotiate on quality, hygiene and standards. Reassuring the suppliers on the ethical nature of the audit and reminding them the laboratory is ISO certified is an operational response. The suppliers are also entitled to a second opinion or rechecking before the tender is revoked. NAS as a supplier of food in the ground service outlets has been threatened by the KAA who wanted to remove the monopoly status NAS enjoys. NAS has responded to this by going through open-bidding, signing an agreement giving KAA a three year royalty fee.

Legal challenges: The legal challenges that the organization has faced are mostly due to the new policies and procedures put into place by the government. The respondents highlighted that the catering /bond operations have been affect by the stringent procedures that the government has put into place to ensure there is transparency. Before importing into the country the government has introduced an import declaration form which is

applied from the customs, this form is then faxed to the exporter who brings it back attached with the goods. This form is then given to an inspecting company like SGS, INTERTEC and a copy to the Kenya Bureau of Standards which issues a certificate of conformity. This certificate shows quantity and the valuation of goods for tax purposes. This process is very time consuming and is done for every consignment. The operational response to this has been to comply. The government has also gone IT and most of the customs work is done in the web site with a password from Times Tower. This has affected the small suppliers and brief case clearing agents because without permanent offices and the internet one cannot operate. The responses have been both operational and strategic. The organization has updated the IT programs, they have educated the staff on IT and are also pushing their agents to comply or be left out.

Another legal challenge this department faces is that the international airlines do not care much for the local laws. The airlines are exempted from duty and items are required to have a logo. Airline manufacturers do not logo the item, instead they logo the carton which is a breach of Kenyan law. When trying to enforce this law the customers threaten to withdraw from Nairobi station. Legal issues like the bonded warehouse can only have one door, is a challenge to the health and safety issues of staff especially if there is a fire. The response to this challenge has been operational, by educating the customer, negotiating with them and using international laws.

The finance department's legal challenges are the new policies like the NSSF which is now 5% of the total casual wages bill; this increases every department's costs by half a million. The government has also increased the minimum wage by 12% which is a cost to the organization. The human resources department faces the legal challenge of ensuring the company adheres to all the new policies on health and safety which has become a requirement by the government for all organizations. It has to ensure all people, property and vehicles are insured. Working areas and machines are safe, the remuneration of staff should be competitive, whereby abiding by the minimum wages law for casuals, pension schemes and medical care for staff. The operational response by the organization has been

to adhere. Another response which has been both strategic and operational has been for the company to hire a health and safety manager who will create a manual, ensure safety measures are in place, ensure precautions are taken and implement all the requirements.

The catering /operations department has a legal challenge to ensure health and safety procedures are followed and the money to ensure the required items are available. Reflectors should be ordered and worn at the airside, earplugs to muffle the noise and retraining of drivers and marshalls. It is a requirement by Kenya Airports Authority for everyone using the airside and apron area to have an ADP (Airside Driving Permit) which is issued after undergoing training on security safety, bomb scares, fire safety, first aid, aircraft rules and passenger safety. The challenge is the amount of time and money used while adhering to these rules. The operational response by NAS has been to adhere so as to continue operating at the airside area.

The information technology departments legal challenges are the tax registers for Kenya Revenue Authority because it cost money to install them and there is a lot of resistance from our suppliers. Intercommunications of the service providers (safaricom, celtel, landlines) are not linked. If they could overcome their legal hurdles the (WAN) wide area network would reach a wider customer area and the costs would be reduced. Currently the providers concentrate more on telephone than IT. Previously VOIP was very much controlled by the government but it is now improving. The operational response has been not to pay creditors who fail to comply with KAA requirement of registers and to lobby for the linking of intercommunication providers. The strategic response has been to educate customers.

The production department faces challenges with the labor laws. Due to the nature of work, the continuous standing while working for 15 hours for everyone even the pregnant women has been a challenge. This has caused prevalence in ailments like piles. Working in cold rooms especially for those making cold salads and sandwiches the whole day has become a challenge because they cannot wear thermal jackets because it is a breach of

hygiene regulations. Staff are becoming asthmatic and flu is common. Another production challenge is that the organization had invested in rearing chicken in countries like Zambia and Tanzania whose production costs are low but with the bird flu the government has put a ban on importing chicken into the country. The operational response to this has been to buy thermal jackets in the cold rooms and comply with the government ban on chicken. The strategic response has been for NAS to set up a clinic for ill staff.

The marketing department faced a legal challenge of which law to use when signing the airline contracts. The operational response being the use of international laws of which most airlines have agreed on. The local Kenyan laws are used only if there is no conflict. The challenge of the bird flu affected marketing as sales fell and overseas customers were skeptical about eating chicken. The initial operational response from NAS was to slaughter all their chicken even the premature ones for fear of contamination and the laying off of staff. The strategic response was to support the government campaign in educating the public and assuring them that bird flu is was not in Kenya. The company also embarked on aggressive advertising in the media "kuku about chicken".

Economic challenges: The economic challenges that the respondents unanimously agreed on was that the organization continues to face the cutting down of its operational costs. These costs have been affected by different things in various departments. The catering/operations department has had a challenge with the fuel costs of the vehicles they use to transport food and equipment to and from the aircraft. Production costs were a challenge because if a flight cancelled due to technical problems and cancelled early enough NAS would foot that bill. Ground service units' meals for the anticipated buyers would also be wasted when flights are cancelled. This department also faces a challenge of buying enough (high loaders) vehicles to cater for all the flights. The organization needs efficient machines to cut down cost of production in the long run but the immediate costs are too high, making the finance department borrow money from the banks. The response is a strategic one where the high costs of production in Kenya has also led the organization to invest in rearing chicken overseas especially in countries like Zambia and Tanzania.

Production department's economic challenge is the inconsistency of quality of the aircrafts. When the aircrafts are late the staff have to work overtime and this increases the cost because they are paid double. Costs of this department were also running high because of overtime as most staff were actually idle. Brain drain and high turn over has dealt a blow to the catering department as the department loses its staff to other catering units in Europe, Emirates and Qatar. The operational response was to consolidate flights therefore decreasing the number of trips to the airside, re-organize staff so that they are given off days or hours on the not so busy days to compensate for the overtime hours. A strategic response has been to motivate and give staff recognition as a way to curb the turn over.

The human resources department's economic challenge is to cut down on costs of permanent staff who need insurance, pension, gratuities, medical cover schemes. The challenge of too many staff working for the company duplicating work and concentrating on jobs that are not the core business of the company. The strategic response to this was to hire on contract basis and also hire temporary staff. Outsourcing the non-core business services like cleansing reduced staff, whereas restructuring and merging departments resulted in less staff and no duplication of work. Fuel costs were also a challenge because the company catered for staff transportation. Its operational response to this was to have designated picking and dropping points.

The economic challenges affecting the marketing department according to the marketing head are that Nairobi is an expensive station. The airline parking fee is very expensive, the government tax and landing fee are too high. Most airlines will only use Nairobi for quick turn-around. This affects the organization because there is a strict time limit and it is easy to delay a flight. Depending on the contract signed, a flight delay by NAS means there is some fee waiver in food and handling charges. Increase of tax on imports by the government also increases the price of the final product. The operational response was to look for cheaper sources of supply and even invested in producing chicken in Zambia and Tanzania where production costs are low.

Production department's economic challenge is the inconsistency of quality of the outsourced products. Most products received from abroad have almost gone through their legal shelf life. The response to this was operational in nature and it entailed educating the supplier, strict standards to be followed and audits/ inspections to be carried out. Distribution of cooked food to our Mombasa units has created a challenge in controlling the temperatures of the food, avoiding contamination or spoilage which can cause food poisoning. The response for this challenge is operational where the food is kept in cold rooms and dry ice is used to cover the food while it is being transported to Mombasa.

The Information Technology department's economic challenge for some time had been in the VAT on hardware although it has now been removed which has lowered the cost of buying the items. The operational response has been to pass the VAT to the customer. The budget for software continues to be very high. NAS has initiated cost cutting of time and money when communicating with the stakeholders. An operational and strategic response has been the introduction of the electronic funds transfer and integrating with the suppliers which has been initially expensive but will be cheaper on time and money in the long run. The challenge is getting the suppliers and customers to accept this integration with banks and the company. They still insist on getting hard copies and coming to collect them. The cost of wide area network which needs equipment to link the companies of our stakeholders is high. Reassuring and educating our customer is an operational response.

Social challenges: The social challenges that have affected the organization are that very few people know NAS and what it does. The organization does not interact with the community. Most interactions are within the airport environs. The strategic response has been the sponsoring of events by NAS like the Rhino Charge and the Safari Sevens.

The respondents stated the finance and marketing department faced the social challenge of the customers demanding better service, decor, ambience and this led to the modification of the ground units with new furniture and equipment to cater to the customers changing tastes. The strategic and operational response was to comply.

The catering department social challenge is the resistance to change by staff to the new processes and procedures the organization has introduced. The operational response to this is to educate and train the staff. Another problem is when an airline does not do some research on the culture and tastes of passengers in a new route and choose a menu that is rejected by the passengers. The challenge here is the losses incurred of food, that further limits the choices of meals on board. An example is when Hindus are offered beef and giving mutton (lamb) on the Kigali route. The operational response taken is to change the menu and give the airline a feedback report on the eating habits and complaints.

The Information Technology department has faced social challenges like the theft of its

The marketing department takes the job of looking at the social issues that will affect airlines routes, the regions they will pass. The operational response is to cater for the majority of the clients' tastes and offer a choice for those with special meals.

staff, allocate staff and allow them to read and sign computer policies. The operational

Cultural: The new cultural challenge the organization faces is its guarantee that all the food is Halal. Most westerners do not understand why they cannot get bacon and pork sausages for breakfast and are confused since Kenya is not an Islam state. This has mostly affected pork dishes and sausages. The responses have been both operational, labeling halal on the packaging of the food and strategic where the organization is trying to educate their clients, and even allowing SUPKEM (Islam) leaders to inspect the kitchens. The finance department's cultural challenges are the effects of Halal on costs because the organization can not buy from non-halal suppliers even if they are cheap. This increases the processes and costs. Plans have to be made to build a separate kitchen for halal. The response here has been both operational and strategic. This entails educating the staff on the procedures and processes; it also helps the staff to appreciate this way of doing things.

The human resources department has had social challenges in that they keep pushing the costs up. Most staff levels of education are high and hence high expectations which make them bargain for high salaries. The social amenities demanded by the staff are also costly to the company. The strategic response has been to negotiate during recruitment and offer alternative advantages like education advancement, free food.

The production department's social challenge has been that the organization has embraced outsourcing as a means of cost reduction but people are rejecting outsourced items saying they do not taste the same. This is affected by substitutes, genetically modified food or when the temperatures are also not right during delivery time. The response to this is operational where hygiene dept ensures strict adherence to the storage, temperatures and shelf life.

The Information Technology department has faced social challenges like the theft of its cables in Embakasi which paralyzes part of the network. Implementing policies to the staff like limiting personal use of the programs, limiting access to the internet is always resisted. The strategic response has been to plan on going wireless as a means of curbing theft, educate staff and allow them to read and sign computer policies. The operational response is to limit access to the internet, but the organization has offered alternative points of shared access.

Technological challenges: The technological challenges faced by the catering /bonded operations are all their staff have to be computer literate because the government has computerized all their processes and procedures. The laboratory technological challenge is the new equipment that is now computerized. The operational response has been for the staff to learn how to use the new equipment. The catering department has had to purchase low fuel efficient machines like the conveyor belts in tray assembly area and wash-up due to the volumes and capacity challenge, large industrial ovens and cooking appliances. The operational response has been to train staff on the use of the new state of the art equipment.

The marketing department has to be in line with our customers in the developed world. The respondents say that the organization is continuously trying to keep up and hence the use of on-line computer communication. The department also uses the Web to let people know that we are capable of offering any food to their local or imported specifications. The response has been both strategic and operational with the company going on-line with

most of its processes and procedures. Modernizing and upgrading the programs and equipment and training employees to be computer literate.

A technological challenge in production is the use, training of staff on the new technology state of the art industrial oven and choppers. The maintenance and spare parts for these machines cannot be found locally which is a problem when they break down. The department also incurs the cost of bring expatriate chefs to show the NAS chefs new ways of making for example oriental dishes like Japanese dishes. NAS has operationally responded by training on how to use the equipment, looking for alternative spares or sources of spares and educating a local chef.

Ecological challenges: These challenges affect all organizations and the government has made it a requirement for all companies to have a health and safety committee and manager. This has forced the human resources to hire a professional for these issues and anything he highlights ought to be done to make the working area and conditions safe for the employees. This increases the costs of adhering to this new regulation. With this in mind the organization has had to have its own hygiene / quality control department due to the emphasis on hygiene, a clinic and laboratory within the organization to cater for staff health. This has been a strategic response. Speed governors for all vehicles, holding fire drills and buying extinguishers have been operational responses.

A natural calamity like the country's draught has had an effect on the prices of supplies being delivered to NAS. The suppliers are finding it difficult to supply the company with the necessary items. As a consequence the prices shot up, the fuel costs and electricity cost further increase the prices. The company operational response was to absorb most of the cost which lowered profits but also negotiated for an increase in the prices of meals. The bird flu challenge was very much helped by the government's education campaign on the bird flu and assuring the public that Kenya was not affected. The operational response was to retrench at Kenchic and to slaughter all chicken even the premature ones. They also

kept alternative menus on standby. The strategic response taken later was aggressive marketing in the media.

The information technology department has had challenges from the environment like the flooding of the telephone lines which got clogged up and paralyzed the wide area network. Thunderstorms also interfered with the equipment and blew them up in Mombasa. The recent fire in Libra house which houses one of our ground service units destroyed all the IT cabling. The organization responded strategically by getting flash coms and going wireless as a solution. The operational response was to carry out an audit and earthing all WAN stations to avoid damage from thunderstorms and lightning. To have back up systems of WAN and DRP (disaster recovery plan) as in the case of the Libra house fire.

The production department has a challenge with the tins, bottles of wine and jars waste disposal as the company uses a lot of plastic. There are a lot of used spare parts from the vehicles and general garbage from wastage. The operational response was to sell all the tins and spare parts to used parts dealers. Previously the organization was buying food products in whole like vegetables and fruits; this gave the company a lot of waste (in blemished, rotten and overripe fruits and a lot of peels) in terms of refuse. There was also the cost of employing staff for just peeling and dicing the fruits and vegetables. The strategic response was for sourcing already peeled, diced vegetables and fruit. Outsourcing processed and dried alternatives from abroad. The plastic is used as raw material in the NAS plastic plant. Due to the nature of our work there is a challenge of a lot of left over food, waste garbage and hence a tendency of having rodents in the waste area. The operational response has been to contract the services of 'Antipest' who spray the waste area, staff lockers, warehouses and offices. The finance department's ecological challenge is to finance for an incinerator for burning the refuse but the KAA have declined to give the authorization to do so because of the risk of fire in the airport. The condition they have given is that it should be a closed incinerator which is very expensive. The strategic response to this has been to continue planning and doing a cost benefit analysis.

Catering department has a big challenge with the health and safety issues. Most of the work is very manual and the items are heavy, most employees complain and are absent from work due to muscle strain, backaches. There are also employees who are losing their hearing due to the aircraft engine noise. Working in the cold kitchen and cold rooms with low temperatures and working at the airside at night has increased ailments like pneumonia and asthma. The strategic response has been to have a clinic, laboratory and doctor. To hire a health and safety manager who looks into educating the staff on safety and ensure management support the safety efforts. The operational response has been to give staff ear plugs due to the aircraft noise levels, thermal jackets due to the cold, safety shoes and T-shirts. Conveyor belts, scissor lifts and fork lifts were purchase to avoid back strains.

4.2.2 Industry Environment

The industrial environment uses the Porter five forces to understand the competitive forces acting on the organization. Which are namely threat of new entry, substitutes, bargaining power of supplier, bargaining power of buyer and competitive rivalry.

The threat of new entry: The threat of new entry challenge in the catering / operations department is the Tanzania catering units which had poached Swiss Air. Another threat is a growing tendency by chartered aircrafts in Mombasa and a threat from British Airways to belly load frozen meals for the return trip instead of buying food from Nairobi. The ground service units also faced new entrants into the airport service units like Home Park and Intercontinental. The strategic response by the organization is to negotiate with the airlines, revamp and refurbish the décor of ground service units and offer a wider variety of food.

The human resources department is facing a challenge of brain drain as a threat of new entry of catering players who need already trained, experienced employees. Employees are migrating to other catering stations like Emirates, Qatar and the hotels in Europe. The strategic response has been the motivation, recognition and training of employees by the

organization. The operational response is job rotations and multi-skilling to break the monotony.

Substitutes: The challenge of substitutes in the Catering/ bond operations is the overstocking and paper work that takes place when outsourcing from overseas. These shipments also take a long time to get here and to be cleared. The operational response has been to try planning and accurately knowing the consumption levels. Processing documents before the ordering time to avoid stock-outs. Outsourcing has brought inconsistencies with the quality of products. The organizations operational response has been to carry out surprise audits and educate staff on the hygiene requirements. When the production department is unable to give a recommended product to a customer especially in the airline menus, the operational response has been to always inform the customer by issuing them a substitute form which is handed over to the crew on board. To avoid unnecessary substitution of a product the organization has responded strategically, by planning ahead this enables placing the correct amount on the order, on time and avoid a stock out situation. Due to seasonal product unavailability at times a substitute product is more expensive than the recommended, NAS operational response is to substitute but bare the cost. The finance department's challenge with substitutes (outsourcing) is that it affects the cash flow of the company because one has to pay before delivery. One pays cash when making the order and can't pay after 30 days. The danger with this is that if not done well it is expensive. The organizations operational response has been to comply.

The bargaining power of the buyer: This is a challenge to the catering /bond operations in that most of our items are imported from abroad e.g. we need cheese from Holland, wine from France and other airline specifications. Due to lack of a direct link to Holland these items have to pass through the UK. The supplier in the UK consolidates the items from the different countries in Europe (which is a strategic response) and will dictate the price. The operational response has been to sign agreements on quality, quantity and price determination. Most of our customers are at a global scale and the challenge according to respondents is to compete with international caterers. We are forced to meet world class

standards and the organizational strategic and operational response has been to belong to international bodies so as to enable the organization to do business with Europe. Bodies like the Association of European Airlines who set standards and Medina which check hygiene (HACCAP) and rates NAS world wide then circulate the marks to all international airlines.

The finance department encounters the bargaining power of the buyer (airlines) who are aware this is the NAS core business and with this knowledge they demand for bigger discounts, lower prices on food and higher quality. With the fuel prices raising the airline can only squeeze on food costs and demand lower prices. The organization has responded strategically by negotiating with the airlines, signing 3 year contracts with the airline which agree on the prices of food and percentage of price adjustments in future. The organization has also formed strategic partnerships with airlines like Kenya Airways where the companies share information on costs and constrains enabling them to get to a win/ win situation. Outsourcing for cheaper imports has been another response.

Within the catering department strong power of the buyer is experienced in both the ground services units and the airline service. The customers want high quality food at low costs and the airlines want quality food at a price that they can afford. The airlines(which are the customers) dictate the prices they want to buy their food, they give their budget to the caterer and NAS comes up with a menu that is agreeable. The airline pays for what it wants and the amount in gram mage, and in this budget the caterer should get their profit. The strategic response has been to introduce finger foods (filling snacks) for the ground service units, offer variety like cappuccino and espresso. The operational response has been to advice the airline on alternatives, and substitutes of the items they want so that it can suit their budget.

The laboratory department is the buyer and they dictate to the supplier due to quality and availability. The operational response has been for the supplier to fill an evaluation form which tells the organization of the suppliers financial stability, whether they have the capacity to meet the demands, their locality and professionalism.

Strong bargaining power of the supplier: There is a challenge in the Information Technology department because there are limited shops especially for the internet providers like Swift global. The situation has improved in comparison to a few years back. The main challenge is, since they are limited they are not very competitive. The strategic and operational response taken is to look at the East African countries trade and to talk to the parent company of the firms reselling software.

The production department encounters the challenge of powerful suppliers when the product is scarce in the market, the supplier has to go out of his way to ensure availability, and when the suppliers who can manage the volumes needed are limited. In these instances the supplier can dictate the prices which are further increased by the VAT (Value Added Tax). Suppliers have an upper hand on the finance department in that they determine when they will pick their cheques and if the cheques are not ready they will not deliver the items. The company has responded both strategically and operationally to this challenge. It has consolidated the orders with one overseas supplier who sources for all the requirements and the other option has been to import.

Most of our suppliers are now required to partially process the fruit and vegetables they deliver to the company. They should peel them and dice them ready for cooking. When the company dictates quality it has to pay for it and the supplier will dictate a higher price for processing fruits and vegetables. This affects the catering, production and marketing departments. The strategic response taken by the company according to respondents has been to negotiate with the suppliers, form supplier partnerships and supplier development initiatives.

Competitive Rivalry: The rivalry challenge affects the whole organization because although locally NAS is a monopoly, the competitors are other countries catering stations like Tanzania -Dar es Salaam and Uganda. Early last year British Airways had withdrawn their catering from Nairobi and had taken it to Dar es Salaam. The East African countries

are competing in quality, price and hygiene. The strategic and operational response has been to engage the Medina Company which rates all catering stations worldwide using the HACCAP and IATA rules causing stiff competition among caterers and this affects where an airline decides to uplift its meals. The strategic responses have been to advertise in the website, renegotiate with the airlines, improve on quality, and ensure the organization maintains high IATA and HACCAP standards. The operational response has been to ensure the organization has the capacity to produce large volumes. The marketing department is affected by the threat of airlines to move to Entebbe because the prices there are low, the economy is vibrant and the landing, parking taxes are lower than in Nairobi. Production costs are also low so the price of meals is lower than in Nairobi and this pulls customers towards Entebbe. The operational and strategic response has been to seek cheaper sources of raw material, relocate production for example the chicken production to Zambia and Tanzania. To ensure we maintain the leading example of high quality and hygiene.

In the Information technology department competitive rivalry has been with the service providers, telecommunications between safaricom, celtel and hardware sellers, which is a good thing. The challenge is deciding who can best give what the organization needs in terms of price, choices, quality and lead time delivery. The operational response has been to pick the service provider with the better deal in terms of price, service availability and options. The laboratory is facing stiff rivalry from other inspecting organizations like SGS, INTERTEC and other laboratories. The strategic response has been to becoming ISO certified, marketing themselves using the website and brochures.

4.2.3 Operating Environment

Shareholders: The challenge mentioned by all respondents, finance in particular is the shareholders constant demand of pushing the costs down so as to make more profits. The strategic response to this has been introducing cost cutting measures like outsourcing raw materials and non-core services, restructuring, merging departments, retrenching and

recycling. The operational response has been reorganizing procedures and processes which include efficient, effective fuel reducing equipment.

Suppliers: The organizations financial department has stopped writing cheques physically and is now using electronic funds transfer (EFT). The challenge is that some suppliers are small and they have had to move to banks that can handle transfers in this manner. Getting the suppliers to trust EFT has been a slow process. With electronic cheques the company cuts down on cost and errors but suppliers still want a print out as prove that the cheques was written. The operational response taken has been to reassure and explain to suppliers so as to overcome the fear of technology. In the information technology department the challenge is that most suppliers do not trust the integration into their systems to enable electronic funds transfers and would prefer NAS pays through the bank.

Creditors: The (KRA) Kenya Revenue Authority registers have also not been accepted by the creditors, they present invoices without the KRA signatures. The operational response has been not to pay them and to explain to them the importance of the registers. The laboratory services have the challenge of the creditors not paying on-time. Marketing department also has the same challenge with creditors having a credit limit of 30 days but will often go for 90 days which causes cash flow problems. The operational response is to stop offering services if they will not pay their bills like the East African Airways.

Employees: The employees demand for more services from the finance (payroll) departments like their insurance policies premiums are forwarded to the insurance companies, the personal loan with a bank is forwarded. The operational response is the organization has to buy software that can accommodate all these requirements. It has also been the challenge of the information technology department to upgrade or replace with enterprise resource programs.

Brain drain has affected all the departments in NAS and the strategic response has been to motivate and recognize the individual through promotions, remuneration, and a token of

appreciation. In the marketing, production department employees start go-slows if their demands are not met, they even threaten to put foreign objects in food, they generally lower the quality of food produced. The strategic and operational response has been to educate, train and negotiate with staff. In the bond operations the challenge is the high turn over of the staff and therefore a lot of time is wasted training new personnel.

Overtime has also been a challenge with staff getting more than their basic salary in overtime alone. The response has been operational planning and reorganizing tasks. Generally departments like catering and production have a challenge with employees not following procedures and trying to use short cuts, health ailments, tardiness and absenteeism. The human resources has to deal with theft of airline property, drunkenness, lateness, accidents due to negligence like denting or making a hole on the aircraft door with the (high loader) vehicle which is very costly for NAS since it has to foot the bill which normally runs into millions. The strategic response has been to educate and train. The operational response has been for the human resources department to take disciplinary action, the cost of damage deducted from ones salary or sacking.

Government: The government regulations and policies must be adhered to even if they are challenging. The laboratory is required to register with the board, be a member of the association, comply with the rules and allow inspections by the government. The challenge has been demarcating the food from the human issues because the food laboratory is ISO certified 17025 but the human laboratory is not certified. The strategic response has been to work towards being ISO certified. The human resources department has to ensure the personnel taxes are paid to the KRA. The organization should also comply with the (KAA) Kenya Airports Authority regulations and Port health inspectors are allowed to audit the premises anytime. The response has been to adhere. The vehicles operating the airside must be inspected and issued permit stickers, but the challenge is the inspections take too long, inconveniencing operations. The operational response has been to plan ahead and take the vehicles for inspection before the permits expire.

CHAPTER FIVE: CONCLUSION

5.1 Summary, Discussions and Conclusions

The research objective was to determine what NAS Airport Services Ltd considers to be its environmental challenges and to determine how the organization responds to the environmental challenges. The results for both the challenges and responses are summarized below. The responses are divided into strategic and organizational issues.

The major environmental challenges the organization faces are discussed in this paragraph. The legal challenge affecting NAS is the limited number of service providers who are expensive and not very reliable. The technological challenge is in the organization keeping up with our international customers who are permanently on-line and prefer conducting their business in this manner. The economic challenge is the reduction of the cost of operations which has affected every department. This means ensuring there are more efficient, effective and affordable machines, manpower, processes and procedures. The social/ cultural challenge has been in guaranteeing and appeasing the Muslim people of the food being halal. This has affected the procedures of food storage, packaging, production and this has even become a requirement for the NAS suppliers. An ecological challenge has been to abide by the health and safety regulations which deal with the staff, the working conditions and the working environment. The threat of new entry is causing brain drain with trained and experienced staff moving to other organizations. Finally there is the bargaining power of the buyer, who is the airlines. They keep on pushing for better quality at lower costs. As fuel prices increase, the food budget decreases.

The responses to the challenges have been either strategic or operational depending on the challenge being tackled. The major strategic responses have been to outsource materials by importing most of their requirements, which has been cheaper than sourcing locally. The organization has also outsourced services that are not part of their core-business like

the cleansing department, the garage which used to maintain the vehicles. Ensuring high standards of performance and quality by being part of the re-known international bodies that deal with standards and quality like IATA, ISO certification, and HACCAP. MEDINA also makes impromptu calls and benchmarks, scores the organization against the best caterers in the world. Strategic partnerships with their customers to ensure a higher chance of survival have been undertaken with organization like Kenya Airways which is 55% of the NAS business. Partnerships with suppliers have also been embarked on with supplier development and integration being very important to the organization since it allows the company to control quality from the onset. Marketing of the services and products through advertising, pricing, packaging and supplier development has enabled the organizations markets to grow. Negotiation has been very instrumental in retaining disgruntled customers, addressing competitive rivalry, contracts and the cost of meals. The advancement of information technology has been one of the greatest strategies because it is used to cut cost in communication, used for advertising, used to integrate customers and suppliers programs and funds transfers.

The operational responses taken by the organization have been to have surprise and continuous audits by the head of hygiene to ensure that standards are always maintained. Complying with the government policies and procedures has been a necessary response for the organization in-order to be allowed to continue operating. The consolidation of all imports from Europe, being sourced and shipped by one supplier is also an operational response to the organization, for it cuts down on the logistics of sourcing, shipping and lead-time. To save on costs the organization has responded operationally by buying efficient, effective modern equipment that saves fuel and uses less manpower. It has also restructured departments, processes and procedures and built new facilities like the halal kitchen. The requirement by the government for a strong health and safety department has led the organization to adhere to the operational requirements of having the right protective clothing for the staff like thermal jackets, safety boots and ear plugs. To safeguard the employees backs the organization has bought forklifts and installed scissor lifts. In house- training has been both an operational and strategic response where the staff are not only taught about their jobs but multi-skilling is very much recommended.

The research is in agreement with the relating theory. It brings out the fact that an organization is part of an environment. NAS is part of the catering industry environment. Pearce and Robinson (2002) say the environment refers to the general business setting created by economic, political, social, and technological forces in which the organization plans to operate. From the research we have observed that the environment challenges can all be categorized into the PESTEL framework. To cover all areas the Porters five forces are also used. Porter (1991) points out that all firms are environment dependent and changes in the environment shape the opportunities and challenges facing the organization. This has been brought out by the research which highlights the environmental challenges, caused by forces outside the control of the organization, and how the organization tackled each challenge.

3.2 Limitations of the Study

Organizations respond to these challenges in-order to survive. Johnson and Scholes (1990) state that "the environment is such a dominant influence that most organizations are unable to influence ...all they can do is keep costs down and learn to be as good as possible at forecasting changes in the environment and respond as rapidly as possible to such changes." From the research NAS has not been an exception to the environments dominance, and hence the challenges it has faced. The organization has used different strategies and operational responses to keep costs down, and it has responded as quickly as possible to any challenge that arose. The responses are strategic and are used by firms to create a competitive edge, they are forward looking with long term objectives. The other response is operational which deals with capability, efficiency, adaptability and product range. (Naylor, 1996). From the research all the responses fall in one or both of these categories.

This research is different from other researches previously done because nobody has researched on the environmental challenges and responses in the catering industry and in particular NAS Airport Services. Other researches were concentrating on fierce competition which was brought about by the then liberalization by the government and the strategic responses. H. Kombo (1996) researched on strategic responses by firms facing changed environmental conditions- a study of motor vehicle franchise holders in Kenya.

M.Njau (2000) researched on the strategic responses by firms facing changing competitive conditions. Case study East African Breweries Ltd. S.Mitra (2001) is the only one who has researched on the hotels and restaurants in Nairobi. Her focus was on whether they practice strategic planning.

Conclusions drawn are that all organizations are afflicted by challenges. These challenges are all caused by the environmental forces in which an organization operates. Organizations have no choice other than to respond to these challenges in-order to survive in the industry.

5.2 Limitations of the Study

The research was a case study of namely NAS Airport Services which is a monopoly in this industry. The results obtained are not necessarily a representation of the other smaller players in the country's catering industry who face fierce competition from within the country.

The organization has very little documented information about itself and how it handles any strategies of the organization, except for the 2005-2009 strategic plan.

Some senior managers were not comfortable with being interviewed and seemed to feel that they would be reprimanded for releasing the organization's confidential information. Majority of the respondents preferred not to be taped during the interview so their responses had to be written down on paper which made the interviewee pause for me to finish jotting down the response. This was slow and time consuming.

5.3 Suggestions for Further Research

I would suggest that this area to be studied further. Very little has been studied and documented on the catering industry in this country. It has always been associated with the hotel industry and yet they are different. The airline catering industry is right in the hub of our main sources of generating foreign currency for this country and therefore boasts the economy. It is imperative for the industry to know the challenges they face because ultimately it influences not only its survival but that of its stakeholders. Being globally competitive, the organizations environmental challenges keep changing very rapidly as events in the world affect operations, and it would be interesting to see the new ways that organizations will deal with these challenges.

5.4 Implications for Policy and Practice

This research would be helpful to other catering organizations in the country, which could use NAS as an example of how to overcome challenges. It would assist catering institutions to plan, anticipate changes and respond to them as rapidly as possible. When the government is formulating policies and regulations, it should look at the effects it will cause to the individual organization and industry as a whole.

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APPENDICES

Appendix 1: Letter of Introduction

August 2006.

Dear Respondent,

MBA research project.

I am conducting an interview with the sole purpose of gathering information on the environmental challenges that have affected NAS Airport Services Ltd and how the organization has responded to these challenges.

This study is being carried out for a management project paper as a requirement in the partial fulfillment of the degree of masters in Business Administration, University of Nairobi.

The information and data required is needed for academic purposes and will be treated in strict confidence. A copy of the research project will be available to the organization upon request.

Your cooperation will be highly appreciated.

Thank you

Sincerely

Gitia Janet
MBA student

Dr Ogutu
Supervisor

Appendix 2: Interview Guide

The Managing Director

OVERALL ISSUES

1. What environmental has NAS ltd faced in its various businesses, since 2000?
2. How has NAS responded to each challenge identified?
3. Are there challenges that NAS has been unable to respond to? If yes, which are they and why have they been unable to respond to them?

B. Catering/ Operations department

1. What environmental challenges have affected the organizations operations in the industrial and airline catering area?
 - i. Are there any political challenges and what has the organization done to cope with the challenge?
 - ii. Are there any legal challenges like health and safety issues, working regulations? What has the organization done to cope with the challenge?
 - iii. Are there any economic challenges like costing what has the organization done to cope with the challenge?
 - iv. Are there any social challenges and what has the organization done to cope with the challenge?
 - v. Are there any cultural challenges and what has the organization done to cope with the challenge?
 - vi. Are there any ecological challenges like green issues, recycling and what has the organization done to cope with the challenge?
 - vii. Any technological challenges and what has the organization done to cope with the challenge?

2.

- i. Are there challenges caused by the strong bargaining power of the buyer and how has the organization coped with this?
- ii. What challenges have been brought about by substitutes and how has the organization coped with them?
- iii. Any challenges due to the bargaining power of the sellers (suppliers) and how has the organization coped with them?
- iv. Any challenges brought about by the threat of new entrants and how has the organization coped with them?
- v. What challenges has been brought about by fierce competition and how has the organization coped with them?

3.

- i. What are the challenges encountered due to the government and how has the organization coped with this challenge?
- ii. Any challenges caused by the shareholders and how has the organization coped with them?
- iii. What challenges have been caused by the creditors and how has the organization coped with them?
- iv. What challenges have been caused by employees and how has the organization coped with them?
- Iv How has the organization responded to all these challenges?

C. Production department

1. What environmental challenges have affected the organizations production operations?

I. Are there any political challenges and what has the organization done to cope with the challenge?

- ii. Are there any legal challenges like health and safety issues, labor/working regulations? What has the organization done to cope with the challenge?
- iii. Are there any economic challenges like production costs, distribution, and prices of raw materials? What has the organization done to cope with the challenge?
- iv. Are there any social challenges like product acceptability and what has the organization done to cope with the challenge?
- v. Are there any cultural challenges and what has the organization done to cope with the challenge?
- vi. Are there ecological challenges like waste disposal, recycling, packaging, and what has the organization done to cope with the challenge?
- vii. Are there any technological challenges like the machinery used, product development and what has the organization done to cope with the challenge?

2.

- i. Are there challenges caused by the strong bargaining power of the buyer and how has the organization coped with this?
- ii. What challenges have been brought about by substitutes within and outside the organization and how has the organization coped with them?
- iii. Any challenges due to the bargaining power of the sellers (suppliers) and how has the organization coped with them?
- iv. Any challenges brought about by the threat of new entrants and how has the organization coped with them?
- v. What challenges has been brought about by fierce competition and how has the organization coped with them?

3.

- i. What are the challenges encountered due to the government and how has the organization coped with this challenge?
- ii. Any challenges caused by the shareholders and how has the organization coped with them?

iii. What challenges have been caused by the creditors and how has the organization coped with them?

iv. What challenges have been caused by employees and how has the organization coped with them?

D. Marketing department

1. What environmental challenges have affected the organizations marketing operations?

i. Are there any political challenges that affect the organizations price, product, promotions, distribution and customers and what has the organization done to cope with the challenge?

ii. Are there any legal challenges like health and safety issues, price, product promotions, distribution and customers, working regulations? What has the organization done to cope with the challenge?

iii. Are there any economic challenges in marketing in the areas of price, product, promotion and distribution and what has the organization done to cope with the challenge?

Are there any social challenges and what has the organization done to cope with the challenge?

Are there any cultural challenges and what has the organization done to cope with the challenge?

Are there ecological challenges like waste disposal, recycling, packaging, and what has the organization done to cope with the challenge?

Are there any technological challenges, like product development, innovation and what has the organization done to cope with the challenge?

2.

i. Are there challenges caused by the strong bargaining power of the buyer on the price and product and how has the organization coped with this?

- ii. What challenges have been brought about by substitutes within and outside the organization and how has the organization coped with them?
- iii. Any challenges due to the bargaining power of the sellers (suppliers) and how has the organization coped with them?
- iv. Any challenges brought about by the threat of new entrants on the product, price, customers, promotion and distribution and how has the organization coped with them?
- v. What challenges has been brought about by fierce competition and how has the organization coped with them?

3.

- i. What are the challenges encountered due to the government and how has the organization coped with this challenge?
- ii. Any challenges caused by the shareholders and how has the organization coped with them?
- iii. What challenges have been caused by the creditors and how has the organization coped with them?
- iv. What challenges have been caused by employees and how has the organization coped with them?

E. Human Resources

- 1. What environmental challenges have affected the organizations Human Resources operations?

- i. Are there any political challenges that affect the organizations recruitment employing and training and what has the organization done to cope with the challenge?
- ii. Are there any legal challenges like promotions, labor laws, remuneration and working conditions regulations? What has the organization done to cope with the challenge?

- iii. Are there any economic challenges like cost cutting in this area and what has the organization done to cope with the challenge?
- iv. Are there any social challenges like more educated people, medical and what has the organization done to cope with the challenge?
- v. Are there any cultural challenges and what has the organization done to cope with the challenge?
- vi. Are there ecological challenges and what has the organization done to cope with the challenge?
- vii. Are there any technological challenges, and what has the organization done to cope with the challenge?

2.

- i. Are there challenges caused by the strong bargaining power of the buyer and how has the organization coped with this?
- ii. What challenges have been brought about by substitutes within and outside the organization and how has the organization coped with them?
- iii. Any challenges due to the bargaining power of the sellers (suppliers) on better packages and how has the organization coped with them?
- iv. Any challenges brought about by the threat of new entrants on the price, wages, promotion and head hunting of staff and how has the organization coped with them?
- v. What challenges has been brought about by fierce competition and how has the organization coped with them?

3.

- i. What are the challenges encountered due to the government and how has the organization coped with this challenge?
- ii. Any challenges caused by the shareholders and how has the organization coped with them?
- iii. What challenges have been caused by the creditors and how has the organization coped with them?

iv. What challenges have been caused by employees in area of trade unions, wages, and the well fare of the staff and how has the organization coped with them?

F. Laboratory

1. What environmental challenges have affected the organizations Laboratory operations?

a. Are there any political challenges that affect the organizations laboratory services and what has the organization done to cope with the challenge?

ii. Are there any legal challenges like the regulations and working conditions?

What has the organization done to cope with the challenge?

iii. Are there any economic challenges like costs in this area and what has the organization done to cope with the challenge?

iv. Are there any social challenges and what has the organization done to cope with the challenge?

v. Are there any cultural challenges and what has the organization done to cope with the challenge?

vi. Are there ecological challenges like ensuring hygiene, health and safety is adhered to and what has the organization done to cope with the challenge?

vii. Are there any technological challenges in modernizing equipment and what has the organization done to cope with the challenge?

2.

i. Are there challenges caused by the strong bargaining power of the buyer and how has the organization coped with this?

ii. What challenges have been brought about by substitutes within and outside the organization and how has the organization coped with them?

- iii. Any challenges due to the bargaining power of the sellers (suppliers) and how has the organization coped with them?
- iv. Any challenges brought about by the threat of new entrants and how has the organization coped with them?
- v. What challenges has been brought about by fierce competition and how has the organization coped with them?

3.

- i. What are the challenges encountered due to the government regulations and laws and how has the organization coped with this challenge?
- ii. Any challenges caused by the shareholders and how has the organization coped with them?
- iii. What challenges have been caused by the creditors and how has the organization coped with them?
- iv. What challenges have been caused by employees in staff welfare, hygienic working conditions, health and safety of staff and food and how has the organization coped with them?

G. Finance

- 1. What environmental challenges have affected the organizations Finance department?

- i. Are there any political challenges that affect the organizations finance department and what has the organization done to cope with the challenge?
- ii. Are there any legal challenges and what has the organization done to cope with the challenge?
- iii. Are there any economic challenges and what has the organization done to cope with the challenge?
- iv. Are there any social challenges and what has the organization done to cope with the challenge?

- v. Are there any cultural challenges and what has the organization done to cope with the challenge?
- vi. Are there ecological challenges and what has the organization done to cope with the challenge?
- vii. Are there any technological challenges like modernizing equipment and what has the organization done to cope with the challenge?

2.

- i. Are there challenges caused by the strong bargaining power of the buyer and how has the organization coped with this?
- ii. What challenges have been brought about by substitutes within and outside the organization and how has the organization coped with them?
- iii. Any challenges due to the bargaining power of the sellers (suppliers) and how has the organization coped with them?
- iv. Any challenges brought about by the threat of new entrants and how has the organization coped with them?
- v. What challenges has been brought about by fierce competition and how has the organization coped with them?

3.

- i. What are the challenges encountered due to the government regulations and laws and how has the organization coped with this challenge?
- ii. Any challenges caused by the shareholders and how has the organization coped with them?
- iii. What challenges have been caused by the creditors and how has the organization coped with them?
- iv. What challenges have been caused by employees and how has the organization coped with them?