

**THE STRATEGIC MANAGEMENT PRACTICES OF
SHIPPING COMPANIES IN KENYA**

BY

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**A MANAGEMENT RESEARCH PROJECT IN PARTIAL FULFILMENT OF
THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, FACULTY OF COMMERCE, UNIVERSITY OF NAIROBI**

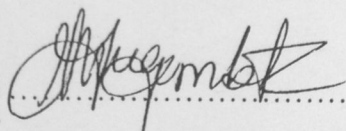
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DEDICATION

DECLARATION

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

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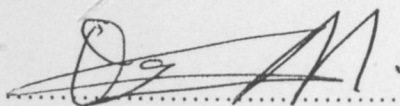
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This project has been submitted for examination with my approval as the University Supervisor.

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First and always; First Glory is to the Almighty Father for giving me life, strength and ability to read.

DEDICATION

My heartiest appreciation go to my parents and family for nurturing me into a man and above all helping in sustaining me in school without complaining over the long time I have been in school. May God bless you abundantly.

This project is dedicated to my brother Eng. Kananga G.K. M'Nchebere

Special thanks go to my supervisor Dr. Martin Ogutu, Senior Lecturer, University of Nairobi, and Chairman department of Business Administration. He is the selfless man

May you be inspired to study for an MBA degree

who guided me through this project always accessible and ready to assist. God bless you.

I would also like to thank the administration, staff and colleagues at the University of Nairobi for their assistance, generosity in sharing knowledge and constructive criticism. In particular I would wish to convey my gratitude to Professor Mboche, the Principal College of Business and Social Sciences without whose cooperation and understanding, this project may have delayed. To my classmates it has been a great joy interacting and associating with you. No doubt this has gone along way in building my character.

This project would not have been finalized without the cooperation of CEOs and Managers of shopping centres who spared time from their busy schedule to participate in the study. Thanks a lot.

I feel privileged to some people who went out of their way to assist me resourcefully and actively during the period of this study. Special thanks go to Mr. and Mrs. Mwalongo Mwangi for their great assistance during fieldwork at Mombasa. My appreciation also go to friends for typing this work and my law Ted for assisting in editing and proof reading. My gratitude to God for being my moral guardian and much more.

(ii)

Finally, let not the efforts of other people who contributed in one way or the other in completion of this study, but their names have not been mentioned due to space and time limitations. To whom I am very much grateful.

(iii)

ACKNOWLEDGEMENTS

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To achieve these objectives primary data were collected using structured questionnaires with both closed and open-ended questions. One questionnaire per Shipping line was administered to the Chief Executive Officer (CEO) or a senior Manager. A drop and pick later approach was adopted. On many occasions the researcher discussed the contents of the questionnaire with the respondents.

The data were analysed with the aid of SPSS software. Simple descriptive statistics were used to present this data. Relationship tests were done to determine the influence of strategy on performance. Mann-Whitney U test was used to determine any significant differences between subgroups. Except for the importance attached to corporate Leadership during strategy implementation, and the problems of availability of funds during strategy implementation, the findings did not reveal any significant differences between Vessel owning companies and Non Vessel owning companies (NVOCCs).

The objectives of this study have been met. The shipping companies in Kenya practice current Strategic Management in various forms, which include around, Developmental and Growth Strategic Management. Strategies are mainly developed through deliberate formulation, as well as imposed by agencies or forces external to the organization. The management input of Strategy development within the shipping companies in Kenya is characterized by a strong view of Strategy and the notion of logical incrementalism.

Both innovative and past strategies have positively impacted on the performance of shipping companies in Kenya. Growth strategies, which are consciously conceived and well implemented within the organization, tend to improve overall performance of these companies.

ABSTRACT

This study was designed to document strategic management practices within the shipping industry. The study had two main objectives:

- 1 To establish the strategic management practices within the shipping companies in Kenya.
- 2 To determine whether the kind of strategy being used by the shipping companies in Kenya is related to performance.

To achieve these objectives primary data were collected using structured questionnaires with close-ended and open-ended questions. One questionnaire per Shipping line was administered to the Chief Executive Officer (CEO) or a senior Manager. A drop and pick later approach was adopted. On many occasions the researcher discussed the contents of the questionnaire with the respondents.

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Well-articulated explicit strategies have positively impacted on the performance of shipping companies in Kenya. Written strategies, which are proactively conceived and well communicated within the organization, tend to improve overall performance of these companies.

Strategies which come as a result of planning and deliberate learning through doing and innovation yielded better performance. Strategies which are largely dependent on one individual in the organization and which come as a result of doing things the way they have always been done adversely affected performance.

INTRODUCTION

The findings of this study, further revealed that shipping companies have been successful over the last five years, recording above average levels of performance thus making the industry attractive. This is contrary to the literature review that the shipping industry is in turmoil due to over capacity, fragmentation and politicization of the industry that made it lack adaptability and remain stagnant. This contradiction could be attributed to environmental and time context

Based on the findings of this study we would like to recommend that shipping companies in Kenya broaden their focus on strategic issues beyond their current focus on marketing strategies. Generic Strategies of cost, differentiation and focus should be used to define the fundamental options since they form the basis of competitive advantage. Grand strategies based on these generic strategies should then be used to provide basic direction for strategic action.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

The Pace of social and economic change is accelerating and increasing the risk of doing business. Competition has become stiffer and Industries are becoming more concentrated. The shipping industry has not been spared from the dynamism of the environment and has actually been caught at the center. Frankel (1987) notes that shipping industry is in the midst of major structural and operational change. According to Ansoff and McDonnell (1990) it is through strategic management a firm will be able to relate itself to the environment to ensure its success and also secure itself from surprises brought about by changing environment.

In spite of the relevance of strategic management in managing firm's relationships with its environment in regard to development which have significant impact on performance, there has been no single universally accepted definition of strategic management. Infact there is a lot of debate on how strategy develops and how it is implemented (Hax and Majluf, 1988).

According to Ansoff and McDonnell (1990) strategic management is a systematic approach for managing strategic change which consists of three steps:

1. Positioning the firm through strategy and capability planning,
2. Real time strategic response through issue management, and
3. Systematic Management of resistance during strategic implementation.

Chee and Harris, (1998) argue that planning has been the most important aspect of most management definitions of strategy. Hill and Jones (1992) outline this approach as organization choosing its goals, identifying the strategies open to it, choosing the most appropriate and then allocating resources to its pursuit.

The definition of strategic management as a conscious, planned effort has come under increasing criticisms. Mintzberg (1995) points out that it cannot be assumed that organizations strategy is always the outcome of external planning, because strategies can emerge without any spur from a formal planning process. From this point of view strategy is about what a company actually does rather than merely what it intends to do.

Burnes (1996) argues that both views of strategy, that is, planned and emergent, provide insight and classifications of what is a challenging problem, namely how to formulate strategic plans and responses that will work and therefore following any of the two approaches does not invalidate the benefits to be obtained from the other.

Formulation of strategies alone will not bring success to an organization if these strategies are not carefully implemented. Kang'oro (1998) noted that although public sector in Kenya engaged in strategic management to varying degrees there was poor implementation. This has affected the quality of their services to the citizens. According to Johnson and Scholes (1999) strategy implementation is concerned with the translation of strategy into organizational action through organizational structure and design, resource planning and the management of strategic change.

1.2 AN OVERVIEW OF THE SHIPPING INDUSTRY

Frankel (1987), notes that Shipping Industry is in the midst of a major structural and operational change. Its roles, functions and objectives are under review and sometimes even under attack, while its ownership, management and organization remain in a flux.

The current shipping situation is characterized by large surplus of tonnage in all types and sizes of ships. This has resulted in generally low freight rates, many Layoffs, Low prices for second hand ships and accelerated scrapings. All of which are reflected in serious financial difficulties for the owners. While the depression in shipping is general, the impact varies from market as prospects for shipping vary with the industry response to long-term factors of structural change.

Shipping is structurally organized by function, performance, service and technology. The structure of shipping is undergoing major changes now as traditional functional organization by liner, dry bulk, tanker; general cargo and specialized shipping are increasingly merged into a multitude of diverse services and operation. Today shipping companies are incorporated into large and often multi modal transport entities. Shipping as a result is becoming not only an integral commodity distribution activity but a major component of coordinated industrial production and delivery systems. While this trend is pronounced in industrialized world, most developing countries, who have become active in shipping only recently, continue to operate their fleets under a more conventional structure.

The pure commercial independent ship operator who provided a basic transport service under fairly competitive terms has become a thing of the past. The reasons for these developments are political, financial and operational. Increased capital intensity and modal integration demanded larger financial resources than shipping companies could marshal.

Technological advancements also increased pressure on financial resources as shippers were required to change ship designs and operations to interface port operations. Today the structure of the world shipping industry is radically different with less than 30% of the world shipping today owned by pure shipping interest. 32% is owned by trading, manufacturing and transport companies, while the rest is owned by government and government agencies. This change in ownership has also affected operations with nearly 22% of world shipping operated by non ship owning companies such as ship management companies (Frankel, 1987).

Frankel (1987), argues that the changes in the environment have put the shipping industry in turmoil, yet it makes tremendous contribution to development. He further notes that the shipping industry has remained stagnant and has been subjected to more regulation and protectionism than other modes of transport, while being burdened by overcapacity and lack of adaptability because of restrictive operating and other rules.

1.3 STATEMENT OF THE PROBLEM

The shipping industry makes a tremendous contribution to the development and is an essential factor of international trade which has become an important contributor to the economic development (Frankel, 1987; Chrzanowski 1987). In spite of its important role in the economy, shipping is in turmoil due to over capacity, fragmentation and politicization of the industry. As a result of these restrictive practices the shipping industry has remained stagnant and lacks adaptability (Frankel, 1987).

Strategic management position and relate the firm to environment to ensure its success (Ansoff and McDonnel, 1990). Given the state of the shipping industry, it is apparent that a heavy dose of strategic management is needed. A few studies have been carried out in Kenya to document strategic management practices in the following sectors: Manufacturing (Aosa, 1992), Retailing (Karemu, 1993), Public sector (Kan'goro, 1998), Not for profit organizations (Kiruthi, 2001). Shipping is a unique industry and therefore, understanding of strategic issues gained from studies conducted on other sectors of Kenyan economy may not be assumed to explain strategic management practices in the sector, unless an empirical study suggests so. These unique characteristics include among others; government regulation and protection, overcapacity, variability of ownership and interfacing of ships operations to that of the port of lading.

This study will therefore focus on strategic management practices of the shipping companies in Kenya and seek to establish whether strategy practices have impacted on the performance of these companies. In doing so the study will address the following questions:

- i) What form of strategic management is practiced by the shipping industry in Kenya?
- ii) Is the kind of strategy being used by the shipping industry related to the performance?

1.4 RESEARCH OBJECTIVES

1. To establish the strategic management practices within the shipping companies in Kenya.
2. To determine whether the kind of strategy being used by the shipping companies in Kenya is related to performance.

1.5 THE IMPORTANCE OF THE STUDY

Very little information is available on shipping industry in Kenya. This study will thus provide insight into strategy practices of the shipping industry in Kenya hence contributing to the frontiers of knowledge. Scholars will use the study for reference and further empirical research on strategy practices in Kenya. Future investors in the shipping industry will use the findings to assess performance of the shipping industry.

1.6 STRUCTURE OF THE STUDY

Chapter one gives the background of strategic management and an overview of the shipping industry. It also contains the statement of the problem, research objectives and importance of the study. Chapter two gives the literature review while chapter four gives the research methodology. Data is analyzed in the chapter four while conclusions are drawn on chapter five. In chapter five recommendations for further study and limitations of the study are also given.

CHAPTER TWO

LITERATURE REVIEW

In an area as diverse as strategic management it is difficult to achieve synthesis within the scope of one study. This research has therefore attempted to address the key strategic issues relating to the objectives of the study. In doing so literature will be reviewed relating to formulation of strategies and implementation of these strategies as well as strategic management practices. The concept of strategy will also be reviewed and relationship between strategy and performance will be sought. Literature will also be reviewed on performance and how it can be measured. The two emerging schools of strategic management will be reviewed. We will also try to infer whether the two schools of strategic management are conflicting or complementing.

2.1.0 MEANING AND IMPORTANCE OF STRATEGIC MANAGEMENT

2.1.1 Strategic Management Defined.

Pearce and Robinson (1997) define strategic management as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. According to Ansoff and McDonnell (1990) strategic management is a systematic approach of managing strategic change which consists of positioning of the firm through strategy and capability planning, real-time strategic response through issue management and systematic management of resistance during strategic implementation. Johnson and Scholes (1999) look at strategic management from the perspective of what it includes. According to them strategic management includes strategic analysis, strategic choice and strategy implementation.

Strategic analysis is concerned with understanding the strategic position of the organization in terms of its external environment, internal resources and competences, and expectations and influence of stakeholders. Strategic choice involves understanding the underlying basis guiding future strategy, generating strategic options for evaluation and selecting from among them. Strategic implementation is concerned with translation

of strategy into organizational action through organizational structure and design, resource planning and management of strategic change (Pearce and Robinson, 1997).

2.1.2 The Origins and Development of Strategic Management Thoughts

According to Bracker (1980) strategy comes from the Greek word "Stratego", meaning to plan the destruction of ones enemies through effective use of resources. The Early Greek civilization developed the concept to be used purely in pursuit of military victory in war. It remained so until 19th century when it began to be applied in the business world.

Formal strategic management seems to have its beginnings in the 1950s in the USA. Early writers who addressed this issue include Drucker (1954), Ansoff (1965) and Andrews (1971). From the late 1960s surveys carried out showed corporate planning was practiced in USA and abroad, however not all companies did so (Aosa, 1992).

In the mid 1970s, attitudes towards strategic management started to change. Taylor (1986) attributed this to the increasingly turbulent business environment. In the face of rising turbulence, managers expressed disenchantment and dissatisfaction with strategic planning. Various writers criticized planning and made recommendations for its improvement. These included Mumford and Pettigrew (1975), Mintzberg and Waters (1985), Whittington (1993). From the various criticisms and recommendations made, several features emerged that characterized good strategic planning practices. Such planning:

- a) Had to be flexible and adaptable
- b) Should address implementation issues.
- c) Should be focused.
- d) Should be instrumental in developing competitive edge.
- e) Should enhance creativity and strategic thinking.

These features are still the dominating concerns in strategic management today. (Aosa, 1992).

2.1.3 Benefits of Strategic Management in Business

Pearce and Robinson (1997) attributes the following benefits to strategic management:

- a) Strategy formulation activities enhance the firms ability to prevent problems. Managers who encourage subordinates attention to planning are aided in their monitoring and forecasting responsibilities by subordinates who are aware of the needs of strategic planning.
- b) Group based strategic decisions are likely to be drawn from the best available alternatives. The strategic management process results in better decisions because group interaction generates a greater variety of strategies and because forecast based on the specialized perspectives of group members improve the screening of options.
- c) The involvement of employees in strategy formulation improves their understanding of productivity – reward relationship in every strategic plan and thus heightens their motivation.
- d) Gaps and overlaps in activities among individuals and groups are reduced as participation in strategy formulation clarifies differences in roles.
- e) Resistance to change is reduced. Though the participants in strategy formulation may be no more pleased with their own decisions than they would be with authoritarian decisions, their greater awareness of the parameters that limit the available options makes them more likely to accept those decisions.

2.2.0 STRATEGIC MANAGEMENT PRACTICES

Butcher and Mainelli, (1990) document five forms of strategic management; minimal, budgetary, annual, developmental and complete.

Companies with minimal strategic management often provide this through informal meetings or brainstorming sessions. Minimal strategic management relies upon

individuals ability to pursue long term goals and visions. The incorporation of a rudimentary budgetary procedure is the first sign that an organization truly understand where it is now.

The introduction of an annual plan is often a step towards complete strategic management. The annual plan is more than the sum of the budgets. It is synergetic. Developmental strategic management comes about when the organization (typically due to outside pressures) finds itself making long term plans for projects that are designed to enhance its competitive position. Development requires an assessment of current position, identification of the long-term positioning and strong project management to turn plans into actions. There is no single correct way to achieve complete strategic management in every organization. However some of the characteristics of complete strategic management include:

- a) Intensive development of integrated strategies at various levels within the organization.
- b) The ability to take a long term view appropriate to the organization, possibly three to ten years.
- c) Documentation of the strategy.
- d) Appropriate communication throughout the organization (Karemu, 1993).

Johnson and Scholes (1999) look at strategic management practices in terms of strategy development. Strategies develop as a result of managerial intent, outcome of cultural and political processes and still strategy could be imposed from outside the organization.

Strategy which comes as a result of managerial intent, can be explained in three views, that is, planning view, command view and logical incrementalism. Strategic planning is a sequence of analytical and evaluative procedures to formulate an intended strategy and means of implementing it. Planning could be formalized or informal. A command view is where strategy develops through the direction of an individual or a group for instance where a dominant leader has become personally associated with strategy development of

the organization. Logical incrementalism is the deliberate development of strategy by Learning through doing.

Under cultural view strategies are the outcome of taken-for-granted assumptions and routines of organizations. Under political view strategies develop as the outcome of internal or external interest groups. An enforced choice is the imposition of strategy by agencies or forces external to the organization. For example a government may dictate a particular course or direction.

2.3.0 THE DELIBERATE STRATEGIC MANAGEMENT PROCESS

Where deliberate efforts are made to formulate strategy, certain activities need to be undertaken by the organization. These activities are important components in the strategy making process. These include:

- a) Mission statement and objectives
- b) Strategic analysis
- c) Strategic choice
- d) Strategy implementation
- e) Evaluation and control (Pierce and Robinson, 1997; Johnson and Scholes, 1999)

2.3.1 Mission statement and objectives

Many organizations define the reason for their existence in terms of their mission statement. A mission statement defines the basic reason for the existence of an organization and helps legitimize its functions in the society. It clarifies the nature of the existing products, markets and functions the firm presently provides (Jauch and Glueck, 1988).

A good mission statement focuses around customer needs and utilities. Strategy will only make sense if the markets to which it relates are known. Defining the company's markets is the starting point of the strategy making process. (Karemu, 1993).

Objectives are ends which the organization seeks to achieve through its existence and operations (Jauch and Glueck, 1988). Business organizations pursue a variety of objectives, some are long-term and others are short-term in nature.

2.3.2 Strategic Analysis

Strategic analysis is concerned with understanding the strategic position of the organization in-terms of its external environment, internal resources and competences and the expectations and influence of stakeholders (Johnson and Scholes, 1999).

External environment analysis include monitoring environmental sector like political-legal, social-cultural economic and technological advancements to determine opportunities for and threats to the firm. It also entails analysis of the industry, competition and market.

External environmental analysis is necessary because environmental factors are prime influencers of strategy change. The analysis gives strategists time to anticipate opportunities and plan to take optional responses to them. It also entails analysis of the industry, competition and market. The analysis helps strategists to develop an early warning of any negative deviations. This helps to prevent threats or develop strategies which can turn a threat to the firms advantage. If a firm ceases to adjust its strategy to the environment, the result is lessened achievement of corporate objectives. However, attention should be given to those environment sectors which are relevant to a firms operations (Jauch and Glueck, 1988; Thomson, 1990; Hax and Majluf, 1991).

There is need to understand the nature of the industry in which an enterprise is operating. It is therefore necessary to carry out an industry analysis to establish its structure and trends. These in turn help to indicate the current and future attractiveness of that industry. This helps a company to position itself in the industry. (Porter, 1980, Thompson, 1990).

One of the functions of strategy is to help an enterprise develop a competitive edge in its markets (Porter, 1980, 1985). An enterprise must know and understand its competitors

because it is amongst such competitors that it is trying to succeed. There are five major factors which must be examined with regard to competition. These include; entry and exit of major competitors, substitutes and complements for current products and services, major strategic changes by current competitors, bargaining power of suppliers and, bargaining power of customers.

These factors are crucial because they determine whether a firm will remain in its current business and what strategies it will follow in pursuing its business (Grossman, 1980, Abernathy and Clark, 1981; Porter, 1980, 1985).

Strategy only makes sense if the markets it relates to are known. Effective strategists are concerned with who their customers will be and trends in the future which may lead to changes in customer buying patterns. (Jauch and Glueck 1988).

Internal resource profile and competences of an entity highlights what it can do and what it cannot do and in turn helps in developing strategy for the entity (Ansoff, 1965; Porter, 1980; Hax and Majluf, 1991). Internal analysis examines a firm's functional areas to determine where the firm has significant strengths and weaknesses. The strengths which are unique to the organization constitute distinctive competences. Internal diagnosis also involves estimating scenarios of likely future conditions to reflect dynamic realities; such as how long a strength will remain if it is relied on or misused. The diagnosis of the most important factors for an organization may be summarized into what is called "strategic advantage profile" (SAP). The SAP is a tool for making a systematic evaluation of the enterprise's internal factors which are significant for the company in its environment (Karemu, 1993).

2.3.3 Strategic choice

Strategic choice involves understanding the underlying bases guiding future strategy, generating strategic options for evaluation and selecting from among them (Johnson and Scholes, 1999). The decision involves focusing on a few alternatives, considering the

selection factors, evaluating the alternatives against these criteria and making the actual choice.

In choosing strategies, strategists ask themselves the following crucial questions:

Firstly, what are our objectives?

Secondly, are they being met by our strategy and the business definition we have chosen?

Thirdly, will they be met in the future?

The issue here is the examination of the gap between the expected and the ideal outcome vis-à-vis the alternatives being considered. The size of the gap, its nature and whether or not it can be reduced will strongly influence the choice of some alternative over others. Certain managerial selection factors such as attitudes towards risk; perception of external dependence, currency of past enterprise strategies power relationships and time influence strategic choices (Karemu, 1993).

2.3.4 Strategy Implementation

Strategy implementation involves translating strategic thought into organization action. Managers successfully make this shift when they do four things; Identify short term objectives; Initiate specific functional tactics; communicate policies that empower people in the organization; Design effective rewards (Pierce and Robinson, 2003).

Pierce and Robinson (2003) further contend that in implementing strategy three aspects of the organization need to be considered. These are structure, leadership and culture. The structure will provide the basic way the firms different activities are organized while leadership will encompass the need to establish direction, embrace change and build a team to execute the strategy. Culture creates the norms of individual behaviour and the tone of the organization.

Although effective implementation of strategy is important it is not easy. Many well formulated and appropriate strategies can fail when attempts to implement them is made

(Bonoma, 1984). Alexander (1985) argued that successful implementation in part involves preventing implementation problems from occurring. This entails paying attention to implementation problems when strategies are being developed.

There is need to understand the linkage between strategy development and implementation. Strategy development does not end when implementation starts. Similarly implementation issues are not postponed until strategy has been fully specified. The two processes are interrelated and overlap (Hobbs and Heiny, 1977; Alexander, 1985; Porter, 1987; Taylor, 1988; Robert, 1991; Giles, 1991). If managers do not recognize such relationships strategies are likely to be developed that will be difficult to implement (Aosa, 1992). Bonoma (1984), argues that we need good strategies and appropriate implementation processes to produce intended results.

2.3.5 Strategic Control

Strategic control is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises and making necessary adjustments. It is concerned with guiding action on behalf of the strategy as the action is taking place and when the end result is still several years off (Pierce and Robinson, 2003). If a strategy turns out to be uncompromising it can be revised or abandoned before major financial and psychological commitments have been made (Ansoff and McDonnel, 1990).

2.4.0 THE CONCEPT OF STRATEGY

There is no single universally accepted definition of strategy. Infact there is a lot of debate on how strategy develops and how it is implemented (Hax and Mujluf, 1988). Aosa (1992) categorized definitions of strategy into broad and narrow scope. Some authors define the concept broadly to include both goals and means to achieve them. Others define strategy narrowly by including only the means to achieve goals.

According to Johnson and Scholes (1999) strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through

its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholders expectations.

In recognizing this complementary nature of and various views on strategy; Hax and Majluf (1988) have suggested a comprehensive definition of strategy. To them strategy:

- a) Determines and reveals the organization purpose in terms of long-term objectives.
- b) Selects the business the organization is in
- c) Defines the kind of economic and human organization the company is or intends to be.
- d) Attempts to achieve a long term sustainable advantages in each of its businesses by responding properly to opportunities and threats in the firms environment and the strengths and weaknesses of the organization.

2.4.1 Levels of strategy

Strategy can be visualized at three different levels in a company. These three levels are corporate, business and functional strategy (Ansoff, 1965; Hax and Majluf 1991; Pearce and Robinson, 1997).

Corporate strategy is concerned with the overall purpose and the scope of the organization to meet the expectations of owners or major stakeholders and add value to the different parts of the enterprise (Johnson and Scholes, 1999).

Business strategy is about how to compete successfully in a particular market, while functional strategy is concerned with how component parts of the organization in terms of the resources, processes, people and their skills effectively deliver the corporate and business level strategic direction (Johnson and Scholes, 1999).

2.5.0 CONTEMPORARY VIEWS ON STRATEGIC MANAGEMENT

The conscious deliberate approach of strategic management has come under increasing criticism. Burnes (1996) notes that in defining strategic management there are two issues which need to be considered:

1. Is strategy a process or an outcome of a process?
2. Is strategy an economic rational phenomenon or is it an organizational/social phenomenon?

Taking these two questions together it can be seen that there is a body of opinion which sees strategy as an intentional prospective process based on rational model of decision making (Ansoff, 1965; Steiner, 1969; Argenti, 1974). However there is equally insistent body which argues that it is an outcome of the complex social political process involved in organizational decision making (Hamel and Prahaland, 1989; Miles and Snow, 1978; Mintzberg 1987; Pettigrew, 1980; Quinn, 1980).

2.5.1 The Design School

This school view strategy as an economic/rational process, but consider its options and usefulness as primarily restricted to issues related to market share and profit maximization (Porter, 1980; Ansoff, 1965; Ansoff and McDonnel, 1990). This school emphasize rationality in strategic management and long term planning. Strategic activity creates the profit potential which operating activity needs in order to make the profit in future. However strategic activities consumes resources and thus depresses near term profitability (Ansoff and Mc Donnel, 1990).

Ansof (1979) argues that the success of an organization lies on the hands of shareholders and management. The shareholders will thus define their expectations and the management will interpret these wishes into appropriate strategic actions and technocracy will carry out the actions under guidance from the management. This implies that strategy is therefore formulated by top management and communicated and implemented throughout the organization.

Andrews (1971) place primary emphasis on appraisal of internal and external situations. When the two are matched this leads to creation of strategies which are then evaluated with the chosen one subsequently implemented. Thus strategy formulation is delinked

from strategy implementation. Mintzberg (1987) identified seven basic premises that underlie the design school:

1. Strategy formulation should be controlled, conscious process of thought.
2. Responsibility for that control and consciousness must rest with the chief executive officer, that is the strategist.
3. The model of strategy formulations must be kept simple.
4. Strategies should be unique; the best ones result from the process of creative design.
5. The strategies emerge from this design process fully formulated.
6. These strategies should be explicit and if possible, articulated, which also favors their being kept simple.
7. Finally, only after these unique, full blown, explicit and simple strategies are fully formulated can they be implemented.

The design school of strategy formulation has been under criticism. Mintzberg (1987) in particular, rejects the model and only recognizes the importance the design school has played in providing basic vocabulary by which grand strategy is discussed and providing the central notion that strategy represents congruence between external opportunity and internal capability.

2.5.2. The Process School

This school views strategy as an outcome of a process. Their emphasis is not on construction of detailed plans but on an organizational and social aspects of strategy formations. The argument here is that capabilities of an organization, in terms of structure, system, technology and management styles restricts the range of strategic options the organization can pursue. It is the day today stream of decisions regarding the development of its capabilities which determines an organizations strategic direction rather than the reverse (Miles and Snow, 1978)

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Pascale and Athos (1982) and Hamel and Prahalad (1989) argued that Japanese business success is not based on well thought out strategies per se, but on commitment of Japanese Managers to create and pursue a vision of desired future. The vision is then used to build an organization together and give it a common purpose to which all can contribute. Kay (1993) believes that an organization competitiveness is not dependent upon any strategic plans per se, but upon, the uniqueness and strength of its capabilities. Stalk et al (1992) used the term core capability in referring to an organization's practices and business routine while Grant (1991) proposed a framework for analyzing a firm's competitive advantage in terms of resources and capabilities.

Mintzberg (1987) in his concept of emergent strategy argued that successful companies do not start with detailed strategic plans, but instead their strategies emerge overtime from the pattern of decisions they take on key aspects of their activities. Pettigrew (1985, 1987) rejects the view that strategy is a rational process of deliberate calculation and analysis. Instead he believes that organizational strategy – though often chocked in rational and analytical terms- is in reality the outcome of a combination of internal political struggles between groups and individuals seeking to influence policy in their favour and external environmental pressure and constraints.

Brown and Joplin (1994) believed that the main distinctions between the design and process school lies between the writers of 1950's and 1960's who they argue, saw strategy as basically concerned with fitting the organization to its environment, and the writers of 1980s and 1990s who see strategy as focusing on internal issues mainly to do with development of competences, thus you cannot delink strategy formulation from implementation.

2.5.3 The Two Schools As Complementing

Mintzberg et al (1988) do not argue that one school should be preferred to the other. In some cases they can be considered as alternatives or complimentary approaches to strategy. They also highlight the role of an organizational collective mind in developing and implementing strategy.

According to Mintzberg (1994) the broad outlines are deliberate while the details are allowed to emerge with time. The emergent strategies are not bad and deliberate ones good, effective strategies mix these characteristics in ways that reflect the conditions at hand; notably the ability to predict as well as the need to react to unexpected event. Kay (1993) took a similar view. While doubting the efficiency of corporate vision per se he does stress that the development of capabilities is conscious and planned process.

2.6.0 THE LINK BETWEEN STRATEGIC MANAGEMENT AND PERFORMANCE

Performance is the ultimate test for any institution whether profit making or not for profit (Kotler, 1991). A company performance is closely linked to its marketing strategies (Kotler, 2001; Aaker, 1998). PIMS (profit impact of market strategy) findings show link between performance and market share (Johnson and Scholes, 1999). Explicit strategy formulation can improve performance. This was backed by studies in America which found that deliberate and systematic pre-planning of acquisition strategy produces significantly better financial performance than unplanned, opportunistic, adaptive approach. (Ansoff and McDonnell, 1990).

2.6.1 Measuring Corporate Performance

To manage in the future, executives will need an information system integrated with strategy, rather than individual tools that so far have been used largely to record the past (Drucker, 1995). Eccles (1991), noted that more and more managers were changing their company's performance measurement systems to track non financial measures and reinforce new competitive strategies.

Kaplan and Norton (1992) addressed the inadequacies of traditional performance measurement systems when they introduced balanced score card. Balanced score card includes financial measures that tell the results of actions already taken. It complements those financial measures with three sets of operational measures having to do with the

customer satisfaction, internal processes, and the organization's ability to learn and improve the activities that drive future financial performance.

The balanced score card demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customer e.g time, quality, performance, service and cost.

The internal measures of the balanced score card should stem from the business processes that have the greatest impact on customer satisfaction- factors that affect cycle time, quality, employee skill, and productivity. Companies should also attempt to identify and measure their core competences and critical technology needed to ensure continued market leadership. Since the targets for success keep on changing due to competition, a company needs to be innovative and strive to continually improve by learning. This creates value and improves efficiency.

Financial performance measures indicate whether the company's strategy implementation and execution are contributing to bottom line improvement. Typical financial goals include profitability, growth and shareholder value. The balanced score card puts strategy and vision at the center of organizational performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN AND POPULATION

The research was conducted using the survey method. Survey method has been used to carry out similar studies in Kenya (Aosa, 1992; Karemu, 1993; Kangoro, 1998; Warsame, 2002).

The population of interest will be all shipping line companies in Kenya. A census survey will be used to obtain primary data from the population of interest. All shipping line companies in Kenya are member's of Kenya shipping Association. A list obtained from the association was updated as to include only those shipping line companies operating in the year 2003 and eliminate those no longer in operation. This gave a total of 53 companies. All these companies have their head offices in Mombasa with a few having branch offices in Nairobi. Since the number of shipping lines operating in Kenya is relatively low and concentrated in one area, that is Mombasa, it was decided to cover all of them in the study. Ogutu (1983), justified conducting of survey census for an exploratory study since it provides more accurate picture. The same justification was held by Kang'oro (1998).

Similar studies conducted in Kenya have achieved the following response rate: Karemu (1993), 55%; Aosa (1992), 15%; Kang'oro (1998), 38%; Warsame (2002), 20%. In the event some respondents do not participate by failing to fill questionnaire or by being uncooperative, this will not amount to sampling because selection method is a fundamental factor in sampling. In this case the researcher will not have selected the respondents, but instead they will have self selected themselves.

3.1 DATA COLLECTION METHOD

After choosing the survey method of data collection, it is necessary to choose the mode of this collection (Aosa, 1992; Karemu, 1993, Kangoro, 1998). There are three survey data collection modes, personal interview, telephone interview and mail interview (Parasuraman, 1986). Tull and Hawkins (1990) add computer interview to the list. Each of these modes has advantages and disadvantages attached to it.

Personal interview offer more versatility and is cheaper (in terms of time and money) than observational methods. However it is poor at controlling interviewer effects. Mail interview is excellent at controlling interviewer effect but poor at handling complex questionnaires. Telephone interviews is excellent at offering a high degree of sample control but only fair at collecting large amounts of data (Aosa, 1992; Karemu, 1993; Kang'oro, 1998).

The choice of mode should be dictated by the objectives of the research and required data (Nachmias and Nachmias, 1996; Tull and Hawkins, 1990). Tull and Hawkins, (1990) add that resource considerations are important. Although personal interviews have been found to yield the highest quality and quantity of data compared to other modes (Parasuraman, 1986) Ogutu (1983) supplemented personal interviews with drop and pick later approach. Because of the problem of unavailability of the respondent, when the researcher intends to conduct the interview, Warsame (2002) preferred to use drop and pick later survey method. Kang'oro (1998), used a modified aspect of the drop and pick later survey whereby she discussed the contents of the questionnaire with the respondent and then returned later to pick up the completed questionnaire. This research will adopt the drop and pick later approach and where possible the researcher will discuss the contents of the questionnaire with the respondent and leave him/her to fill it on his/her own. This is aimed at capturing the benefits of personal interview as well as saving time because the period within which this research should be completed is limited.

One questionnaire per shipping line will be administered to the Chief Executive Officer (CEO) or any other person recommended by the CEO. This questionnaire consists

mainly of closed ended questions and open ended questions. The questions were developed originally from study of the pertinent literature review, while other questions have been adopted from similar empirical studies carried out in Kenya by Aosa (1992), Karemu (1993), Kang'oro (1998) Kiruthi (2001) and Warsame (2002).

3.4 DATA ANALYSIS

Data ^{were} will be analyzed using tables and descriptive statistics. First, the data will be coded to facilitate computer data input. Analysis will be carried out using SPSS. The data will ^{will} then be summarized using tables and analyzed using descriptive statistics. This ^{will} will entail using proportions, percentages, means and frequency distributions. Gamma coefficients will be used to determine relationship between strategy practices and performance. Similar studies carried out by Karemu, (1993), and Kang'oro (1998), used similar analysis techniques.

Further statistical analysis will be conducted to bring out any significant differences between three sub samples. To facilitate this Mann- Whitney U-test will be used. This method is chosen because it is expected that when data will be divided into sub-samples, the constituent sub samples will not be equal. Also most of the data is expected to be ordinal and categorical. Likert type profiles will be drawn to indicate any visual differences. Comparisons of findings will also be made with other similar studies carried out in Kenya.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

In this section of the report, the data collected have been analyzed using descriptive statistics such as proportions, percentages, means, frequency distributions and summarized in tables for presentation. Gamma coefficients have been used to determine relationship between strategy practices and performance. The respondents were divided into two groups with Vessel Owning Companies on one group and Non Vessel Owning Companies (NVOCC) on the other group. This was aimed at determining similarities and differences between various aspects of Strategic Management among the two groups. Likert profiles were drawn to give visual difference and Mann-Whitney U test was used to determine significance of the difference.

The findings of this study will be presented in four parts. The first part will present findings on demographics of the Shipping Companies in Kenya. The second part will present findings on the strategic Management Practices. It will address the issue of Mission Statements and objectives, plans and planning horizon, strategies, external analysis, internal analysis, strategy implementation and differences between various aspects of strategic management among Vessel owning companies and NVOCCs. The third part will present findings on Performance of the Shipping companies. It will address the impact strategy has had on performance, measures of performance and influence of various strategies on performance. The third part will compare the findings of this study with other similar studies done in Kenya.

4.1 SHIPPING COMPANIES CLASSIFICATIONS

The analysis in this study required comparisons between groups of the shipping companies on all the variables of study. The study was a census survey. Fifty three (53) shipping companies have been listed with Kenya Ships Agents Association. During the study it was discovered that some companies have since merged and others shared same

management although they have been listed as distinct companies. This necessitated revision of the population to remove these anomalies. This gave 37 distinct shipping companies operating in Kenya (see Appendix 2)

One questionnaire was distributed to all these companies. Some shipping companies were uncooperative and declined to participate in the study. A total of 18 companies responded to the questionnaires representing forty eight percent (48%) of the population. This response rate was considered sufficient. Similar studies in Kenya have achieved the following response rate: Aosa (1992), 15%; Karemu (1993), 55%; Kang'oro (1998), 38%; Warsame (2002), 20%.

Analysis were done on all respondents before dividing them into subgroups and comparisons made. The initial intention was to base the subgroups on company ownership, size and vessel ownership. Ownership was based on whether the company share holders were predominantly local, foreign or whether they were shared on 50/50 basis. Of the 18 companies who responded eight (44%) were predominantly local, seven (39%) predominantly foreign and three(17%) have shared ownership. Of the total companies eight (44%) own vessels while ten (56%) do not have their own vessels.

Size was to be measured in terms of Net Assets and number of employees. However, this information was withheld by most respondents and therefore this subgroup was dropped. Seven of the eight companies who own vessels are predominantly foreign and one has a shared ownership. All locally owned companies do not own vessels. Due to this fact, analysis subgroup will therefore be based on vessel ownership.

4.2 SHIPPING COMPANIES DETAILS

This covered areas such as year of establishment company ownership and vessel ownership.

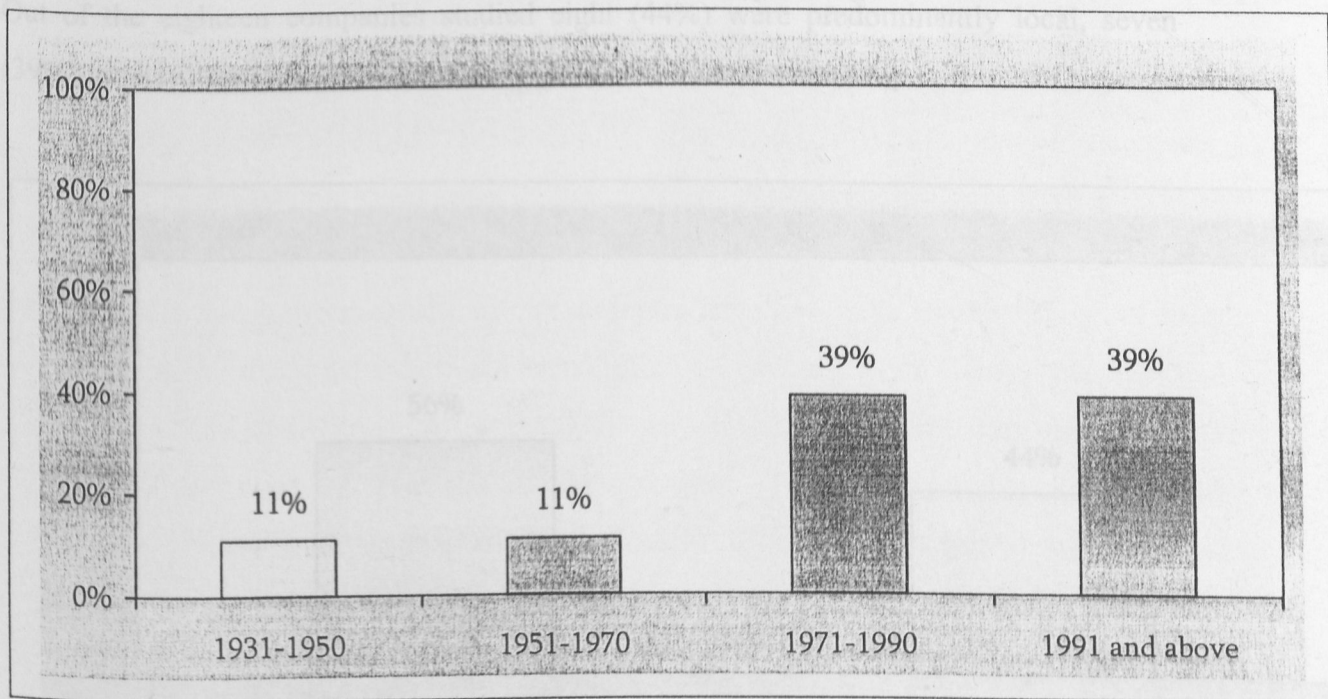


Figure 4.2 a Distribution of shipping companies by year of Establishment.

Out of the eighteen companies studied the first one was established in 1936, with most shipping companies being established after 1970.

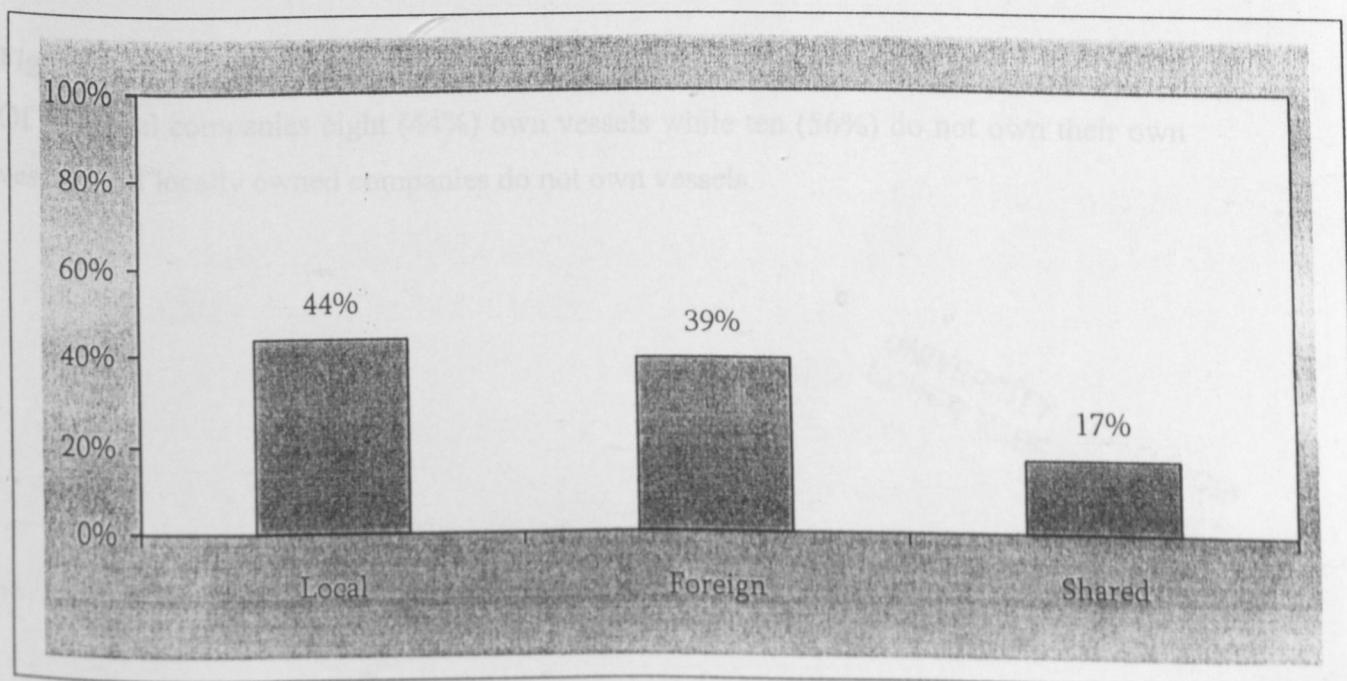


Figure 4.2 b Distribution of shipping companies by company ownership

Out of the eighteen companies studied eight (44%) were predominantly local, seven (39%) predominantly foreign and three (17%) have shared ownership.

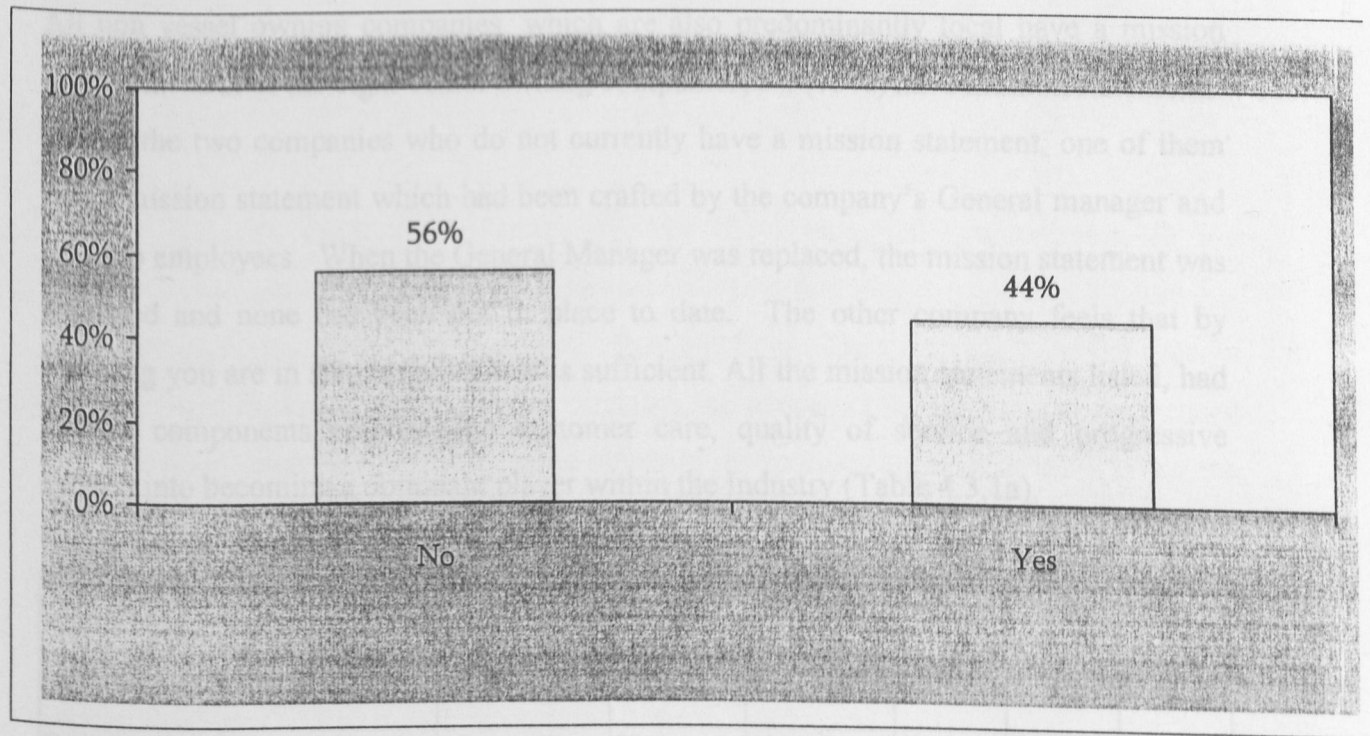


Figure 4.2 c Distribution of shipping companies by Vessel ownership

Of the total companies eight (44%) own vessels while ten (56%) do not own their own vessels. All locally owned companies do not own vessels.

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4.3 STRATEGIC MANAGEMENT PRACTICES

4.3.1 Mission Statement and Objectives

Out of the eighteen shipping companies studied, sixteen (89%) have mission statements. All non vessel owning companies, which are also predominantly local have a mission statement. Out of the eight vessel owning companies, six (75%) have mission statements. Out of the two companies who do not currently have a mission statement, one of them had a mission statement which had been crafted by the company's General manager and was pro employees. When the General Manager was replaced, the mission statement was scrapped and none has been put in place to date. The other company feels that by knowing you are in shipping business is sufficient. All the mission statements listed, had similar components emphasizing customer care, quality of service and progressive growth into becoming a dominant player within the Industry (Table 4.3.1a).

Table 4.3.1 a Mission Statement and Objectives

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n =18		n =10		n =8	
	n	%	n	%	n	%
Presence of a Mission	16	89	10	100	6	75
Written Mission	13	72	9	90	4	50
Presence of Objectives	18	100	10	100	8	100
Written Objectives	13	72	7	70	6	75

All the respondents had set objectives for their shipping companies. Thirteen (72%) of these companies have their objectives in written form, Seven (70%) out of the ten non vessel owning companies have written objectives, while six (75%) vessel owning companies have written objectives. Nine (50%) of the shipping companies said that their objectives are set at the top (mostly by directors) while one (6%) shipping company indicated that its objectives are set by managers. Eight respondents (44%) said that everyone in the company is involved in setting objectives. Most said that departments set their own objectives in line with the overall goals their own objectives in line with the overall goals of the company (Table 4.3.1 b).

Table 4.3.1 b Involvement in setting objectives

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n =18		n =10		n =8	
	n	%	n	%	n	%
Top Management	9	50	5	50	4	50
Middle Level Management	1	6	1	10	0	0
Everyone in the Company	8	44	4	40	4	50

Of the eighteen shipping companies, eleven (61%) indicated that everyone in the company is aware of the objectives. The rest indicated that they did not find it necessary to inform everyone in the company about the objectives. They felt that since the success of their organizations depended on the directors and managers, it is this group which need to have these objectives and then guide others in interpreting the objectives. When the companies were asked to indicate how they communicated their objectives, fourteen (78%) indicated that they communicated their objectives formally through meetings, company's periodical journals, company websites, monthly newsletters and outing among others. These communication media are not mutually exclusive and a company can use more than one medium of communication. Four (22%) of the respondents indicated that they communicated their objectives informally through ad hoc informal meetings or during company functions (Table 4.3.1 c).

Table 4.3.1 c Communication of objectives

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n =18		n =10		n =8	
	n	%	n	%	n	%
Everyone is aware of the Objectives	11	61	5	50	6	75
Formal Communication	14	78	8	80	6	75
Informal Communication	4	22	2	20	2	25

4.3.2 Plans and Planning Horizons

All shipping companies said they have plans however they differed in terms of the kind of plans they have put in place. As presented on Table 4.3.1a Eight (44%) of the companies had short term plans. The short term plans are basically functional plans.

These included operational plans, financial plans, marketing and logistical plans. Two (11%) of the companies had medium term business plans. Eight (44%) had long-term corporate plans. The companies with long term corporate plans use them as a guide for the overall company direction in terms of investments and diversification. These corporate plans are interpreted through short term functional plans. Most vessel owning companies (63%) have long term plans. This could be explained by their foreign ownership. This implies the foreign stakeholders have to make long-term capital commitments when investing in foreign countries.

Eight (44%) have a planning horizon of between zero to one year. Three companies (17%) had a planning horizon of between one to three years. Similarly three companies (17%) had planning horizon of between three years and five years, While four (22%) had a planning horizon of more than five years. It is apparent that the interpretation of a long term plan differed between the respondents. This is because respondents who indicated they had long term plans had planning horizon ranging from three years to five years and beyond.

When the respondents were asked to say whether their plans were in written form, eleven (61%) said theirs were written while seven (39%) have unwritten plans. These unwritten plans are kept in the minds of the directors and top managers. When cross tabulation was done between types of plans and presence of written plans a rather odd observation was noted. While 63% of vessel owning companies had long-term plans, 63% of these companies had unwritten plans. This implies that long term plans are unwritten. Design school strategists favor long term planning which yields explicit strategies which if possible should be kept simple and well articulated (Mintzberg, 1987). On the other hand processualists argue that successful companies do not need to have detailed plans per se but a commitment to have and pursue a vision of desired future (Pascale and Athos, 1982; Hamel and Prahaland, 1989)

Table 4.3.2 a Plans and planning Horizon

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n = 18		n = 10		n = 8	
	n	%	n	%	n	%
Types of Plans						
Short Term	8	44	5	50	3	38
Medium Term	2	11	2	20	0	0
Long Term	8	44	3	30	5	63
Planning Horizons						
0 - 1 Year	8	44	4	40	4	50
1 - 3 Years	3	17	2	20	1	13
3 - 5 Years	3	17	2	20	1	13
More than 5 years	4	22	2	20	2	25
Presence of Written Plans						
Written Plans	11	61	6	60	3	38
Unwritten Plans	7	39	4	40	5	63

The shipping companies portrayed both formal and informal planning characteristics. Twelve (67%) of the shipping companies, have formal planning meetings, while sixteen (89%) of all the companies, have informal planning interactions. A bigger proportion (75%) of the vessel owning companies have formal planning meetings when compared with the proportion (60%) of the non vessel owning companies. Out of the eighteen companies eleven (61%) have clearly defined responsibilities for planning. Again a higher proportion (88%) of vessel owning companies have clearly defined responsibilities for planning when compared with the proportion (40%) of the non vessel owning companies. Twelve (67%) of the companies have set timetables for planning with a larger proportion (88%) of the vessel owning companies having time tables for planning. Only 50% of non vessel owning companies have time tables for planning. All the respondents did not have a planning department. Various functional Managers and directors are involved in the planning activities (Table 4.3.2 b).

Table 4.3.2 b Formality in planning

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n = 18		n = 10		n = 8	
	n	%	n	%	n	%
Formal planning Meetings	12	67	6	60	6	75
Informal Planning Interactions	16	89	9	90	7	88
Responsibilities for Planning	11	61	4	40	7	88
Time tables for Planning	12	67	5	50	7	88
Planning Department	0	0	0	0	0	0

Most of the planning activities are undertaken by the directors and managers. Six (33%) of the eighteen respondents said only directors were involved in planning process. Eight (44%) said that directors and managers are involved in the planning process while four (22%) indicated that their planning process is participative whereby every body in the company is involved in the planning process (See Table 4.3.2 c). Out of the eighteen companies, three (17%) review their plans on a monthly basis, nine (50%) on a quarterly basis, five (28%) semiannually and one (6%) annually (Table 4.3.2 d).

Table 4.3.2 c Participation in planning and plans review

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n =18		n =10		n =8	
	n	%	n	%	n	%
Directors Only	6	33	4	40	2	25
Directors and Managers	8	44	4	40	4	50
Everyone in the Company	4	22	2	20	2	25

Table 4.3.2 d Review of Plans

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n =18		n =10		n =8	
	n	%	n	%	n	%
Monthly	3	17	2	20	1	13
Quarterly	9	50	6	60	3	38
Semi Annually	5	28	1	10	4	50
Annually	1	6	1	10	0	0

4.3.3 Strategy Practices

All the eighteen shipping companies had a mix of strategies as shown on Table 4.3.3 a. Marketing strategy was cited by majority of the respondents. Marketing strategy was defined by most to encompass customer care, good interactive relationships with the customers, personal contacts with the customers and addressing customer complaints. Most respondents emphasized quality service as a worthwhile strategy in capturing the market. Most companies which cited marketing strategy, said they carried out their marketing campaigns through personal selling, placing ads in the shipping publications, telemarketing and email marketing. The second most cited strategy is the generic cost strategy followed by differentiation, focus strategy and organic growth.

Table 4.3.3 a strategies stipulated

	n = 18	Percentage
Strategies	Frequency	Proportion
Marketing Strategy	10	56
Cost Strategy	5	28
Differentiation	3	17
Focus Strategy	2	11
Organic Growth	1	6

Out of the eighteen companies, eleven (61%) of them have written strategies. Eleven (61%) companies have changed their strategies overtime and hope to change their strategies in future. Most of the companies that have changed their strategies have been forced by external environment to do so. They contend that customer needs and preferences have been changing and therefore a strategy that used to satisfy the customers in the past are no longer doing so. Competitors also play a major role in making shipping companies change their strategies. One respondent said, “because of new competition you need new approaches to survive.” While some companies proactively change to out match the competitors, others change their strategies to conform with what competitors are doing. Another respondent had this to say, “when competitors come up with a strategy and our marketing team establish it is working we will also adopt it.” Changing market conditions are also forcing shipping companies to change their strategies. One respondent in process of changing his strategy had this to say, “ I have been using personal contact to do my business. Relying on personal contacts is proving to be very expensive and inefficient and I wish to start marketing through email”.

The respondents were divided in the middle on how they develop their strategies. Nine respondents (50%) said they developed their strategies formally while the other had said they developed their strategies informally.

Those companies using formal strategy formulation basically develop their strategies from marketing research. The strategies are discussed in formal meetings and certain business approaches are agreed upon. Others come up with general strategic plans which are adjusted to suit the prevailing environmental conditions. In house training was also cited as a way of complementing formal strategic formulation. Fully formulated

strategies are communicated and feedback control system is used to monitor the strategies. One respondent said that they receive fully formulated strategies from the head office line management. The local office is given authority to implement the strategies in line with the prevailing local environment.

Those companies practicing informal strategy formulation develop their strategies through interaction with other people in the Industry. What is deemed to work for the competitors is readily adopted. This category of respondents relied heavily on the experience of key people in the organization to formulate the strategies. Consultation is also used a lot in determining what business approach should be applied because of fear of failure.

Most of the shipping companies relied on directors and managers to formulate strategies. Four (22%) of the respondents said only directors formulated strategies in their companies. Nine (50%) respondents indicated that directors and managers participated in strategy formulation with five (28%) indicating that everyone in the company is involved in strategy formulation. Vessel owning companies generally had a higher proportion (38%) of participative strategy formulation when compared with non vessel owning company's proportion (20%).

When respondents were asked a set of questions to establish their strategic management practices in regards to strategy development, all of them said their strategies develop as a result of management intent. When the respondents were asked further questions to explain the management intent view of strategy, five (28%) of all respondents said they followed command view of strategy, Seventeen (94%) followed logical incrementalism view of strategy. From these findings it can be noted that views of management intent of strategy development overlap and as such, a company can adopt more than one view. Similarly other practices of strategic management besides management intent are not mutually exclusive. Five (28%) of the total respondents indicated they practiced cultural view of strategy while thirteen (72%) of respondents said the strategy they followed is imposed on them by external forces (See Table 4.3.3 b).

Table 4.3.3 b Strategy Practices

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n=18		n=10		n=8	
	n	%	n	%	n	%
Written Strategy	11	61	5	50	6	75
Change of Strategy	11	61	6	60	5	63
Formal Development of strategy	9	50	5	50	4	50
Informal Development of Strategy	9	50	5	50	4	50
Involvement in Strategy Development						
Directors	4	22	3	30	1	13
Directors and Managers	9	50	5	50	4	50
Everyone in the Company	5	28	2	20	3	38
Views of Strategy						
Managerial intent of Strategy	18	100	10	100	8	100
Planning View of Strategy	12	67	7	70	5	63
Command View of Strategy	5	28	3	30	2	25
Logical Incrementalism View of Strategy	17	94	10	100	1	13
Cultural View of Strategy	5	28	3	30	2	25
Imposed Strategy	13	72	7	70	6	75

The responses to the question on problems experienced during strategy development and implementation were mixed (See Table 4.3.3 c). Frequent regulatory changes and lack of resources were cited by most shipping companies as the biggest impediments in strategy formulation and implementation. Respondents felt that regular changes at the custom department and Mombasa port posed biggest challenge towards strategy development and implementation. These regular changes can even render a certain approach to business irrelevant because of the financial implications arising from demurrage penalties and increased tariffs. Local shipping companies mostly complained that they lack resources to match competition from vessel owning multinationals. One respondent felt that Kenya ship Agents Association is not doing much in creating fair playing ground for Non vessel owning companies (NVOCC). NVOCC he said are at the mercy of big vessel owning companies who control the sea freight rates. Another one said NVOCC are always engaged in a balancing act because they have to charge a fee acceptable to their clients and at the same time try to make some profit.

Implementation related problems were also cited. Some respondents felt that you can come up with a very good policy but when you try to implement it you face a lot of difficulties which could range from lack of acceptability by the clients or stiff resistance from within the organization. Also some respondents felt that there is preferential treatment of some politically connected shipping lines. This has aggravated the problem of undercutting posing unfair competition. Another problem cited was policy problems. Two respondents felt that there is no clear maritime policy in Kenya and the Shipping Industry favors foreign vessel owning companies at the expense of local NVOCC. This lack of shipping policy has seen incompetent political appointees run key institutions vital to the industry further compounding these problems. One respondent went further to recommend that Government parastatals should be directed to be shipping through the National Carrier in a view to localize the Industry. Other problems cited were war risk and lack of information during strategy development and implementation. This general lack of information has led to adopting trial and error approach to business which at times is very costly if the strategy backfires.

Table 4.3.3 c Problems faced in strategy Development and Implementation

	n = 18	
Problems	Frequency	Percentage
Regulatory Changes	6	33
Lack of Resources	6	33
Implementation related problems	3	17
Resistance from within	3	17
Preferential treatment and undercutting	3	17
Policy problems	2	11
lack of acceptability by clients	2	11
War risk	1	6
Lack of information	1	6

4.3.4 External Environment Analysis

All respondents said they carryout external environment survey to help them in making business decisions. When asked how they conducted this external environment survey, most of them indicated they carried out the external scanning by means of marketing intelligence (Table 4.3.4 a). This entailed marketing research, reading periodicals and

marketing Journals as well as espionage. Other methods used include meeting and contacts with regulatory bodies and colleagues in the business. Also business conferences and trade fairs play a vital role in learning about the external environment especially market trends and general economic trends. One respondent indicated that he visits his clients and prospects for chats to learn what is happening around.

Table 4.3.4 a Techniques of External Environment Analysis

	n = 18	
	Frequency	Percentage
Marketing Intelligence	14	78
Reading periodicals and Journals	4	22
Contacts with regulatory bodies	2	11
Business Conferences	2	11
Visiting Clients and Prospects	1	6

When asked who is in charge of the environment scanning exercise most respondents said it is the managers. However, the exercise is led by the marketing manager. Others said that the exercise is left to the directors only while a small number said that everybody in the organization has a responsibility to find out what is happening and report to the marketing department what strategies can be used to adapt the organization to the changes in the environment. One respondent said that it is the marketing team that is charged with the responsibility of external environment scanning (Table 4.3.4 b).

Table 4.3.4 b Involvement in External Environment Analysis

	n = 18	
	Frequency	Percentage
Managers	8	44
Directors	6	33
Marketing team	2	11
Everyone	2	11
Total	18	100

The respondents were asked to indicate the extent to which they considered various aspects of external environment in making business plans and decisions. Those aspects were ranked on a 5 point Likert Scale. A mean score was computed for each aspect.

Table 4.3.4 c Mean scores on various aspects of the External Analysis

Aspect	Mean Score*
Market Trends	4.56
General Economic Trends	4.44
Competition	4.39
Technological changes	3.67
Political and Legal factors	3.56
Social Cultural Trends	2.67

Mean score* Ranked on a scale of 5 where 1 = not considered 5= given prime consideration.

From the above table, market trends, general economic trends and competition are given prime consideration. Technological changes and political/legal factors are given moderate consideration while social cultural trends are only slightly considered when making planning and business decisions.

When respondents were asked whether shipping as a mode of transport was facing competition from other modes of transportation many said that they did not feel that it was facing considerable competition, although in some cases air freight services were providing mild competition especially on perishable goods.

4.3.5. Internal Analysis

The questions here were intended to find out whether shipping companies in Kenya developed resource profile and competence to help the firms determine whether they have strengths and weaknesses. All the eighteen (100%) respondents said they made assessment of their resources. When asked how they did their internal analysis almost all of them said they conducted external and internal Financial audits among other techniques of review (See Table 4.3.5 a). A good number of respondents performed staff appraisals and reviews. This was mainly done to determine training needs and also

reward those performing well. Physical verification of fixed assets and equipments was cited moderately. Other techniques of internal analysis were cited as checklists and management accounts.

Table 4.3.5 a Techniques of Internal Analysis

	n = 18	
	Frequency	Percentage
Techniques		
Financial audits	16	89
Appraisal of Human Resources	10	56
Physical verification of assets	5	28
Management accounts	1	6
Check list	1	6

When the respondents were asked what they hoped to achieve by performing internal analysis of their resources mixed answers were received. Gauging and evaluating performance were cited by most respondents. Some respondents said that they did internal analysis to determine whether they are meeting set objectives. Other expectations cited included improvement of existing capacity, redirecting action, cost control, to avoid labour turnover and personal development (Table 4.3.5 b).

Table 4.3.5 b Expectations of Internal Analysis

	n = 18	
	Frequency	Percentage
Evaluate performance	10	56
Meet set objectives	3	17
Improve existing capacity	1	6
Redirect action	1	6
Cost control	1	6
Avoid labour turnover	1	6
Personal development	1	6
	18	100

As presented on Table Sixteen (89%) of the respondents have developed internal budgets to allocate their resources to cost centers. Eleven (61%) of the respondents use incremental method of budget creation whereby their estimates are based on prior year estimates. Five (28%) of the respondents have zero based budgets (zbb) whereby they

estimates. Five (28%) of the respondents have zero based budgets (zbb) whereby they develop them from scratch by reading and anticipating the indicators in the market. All the sixteen (89%) of the respondents who said they had budgets, have budget range of one year and below.

Table 4.3.5 c Aspects of Internal Analysis

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n =18		n =10		n =8	
	n	%	n	%	n	%
Assessment of Internal resources	18	100	10	100	8	100
Presence of Budgets	16	89	8	80	8	100
Types of Budgets						
Incremental	11	61	5	50	6	75
Zero Based Budgets	5	28	3	30	2	25
Budget Range						
1 year and Below	16	89	8	80	8	100

4.3.6 Strategy Implementation

This section sought to find out factors considered important in strategy implementation and problems faced by shipping companies in implementing their strategies and business decisions. The respondents were asked to indicate the importance of certain factors in implementing strategies and the problems they have encountered. Those aspects were ranked on a five point Likert Scale. A mean score was computed for each aspect.

Table 4.3.6 a Importance of Implementation factors

Factor	Mean Score*
Organizational structure	4.33
Corporate Leadership	4.28
Organizational Culture	3.50

Mean score* ranked on a scale of 5 where
 1 = totally unimportant 5 = Very important.

From the table above organizational structure and corporate leadership were considered important in strategy implementation while organizational culture was considered to be moderately important.

Table 4.3.6 b Problems during Implementation

Aspect	Mean score*
Implementation took more time than was Originally allocated	3.11
Resources made available were inadequate	3.06
Major obstacles surfaced during implementation That had not been identified before hand	2.94
Co-ordination of implementation activities was Not effective enough	2.50
Leadership and direction provided by Managers Was not adequate	2.39
Monitoring of implementation Activities was inadequate	2.33
Line managers did not see the decisions Important	2.06

From the table above problems related to time allocated to strategy implementation and lack of resources were considered moderate problems in implementing business decisions. All other factors were mildly considered as problems during strategy implementation.

4.3.7 The Likert Profiles

The Likert profiles on various aspects of strategic management were drawn to give visual differences between aspects of strategic management among vessel owning shipping companies and non vessel owning shipping companies.

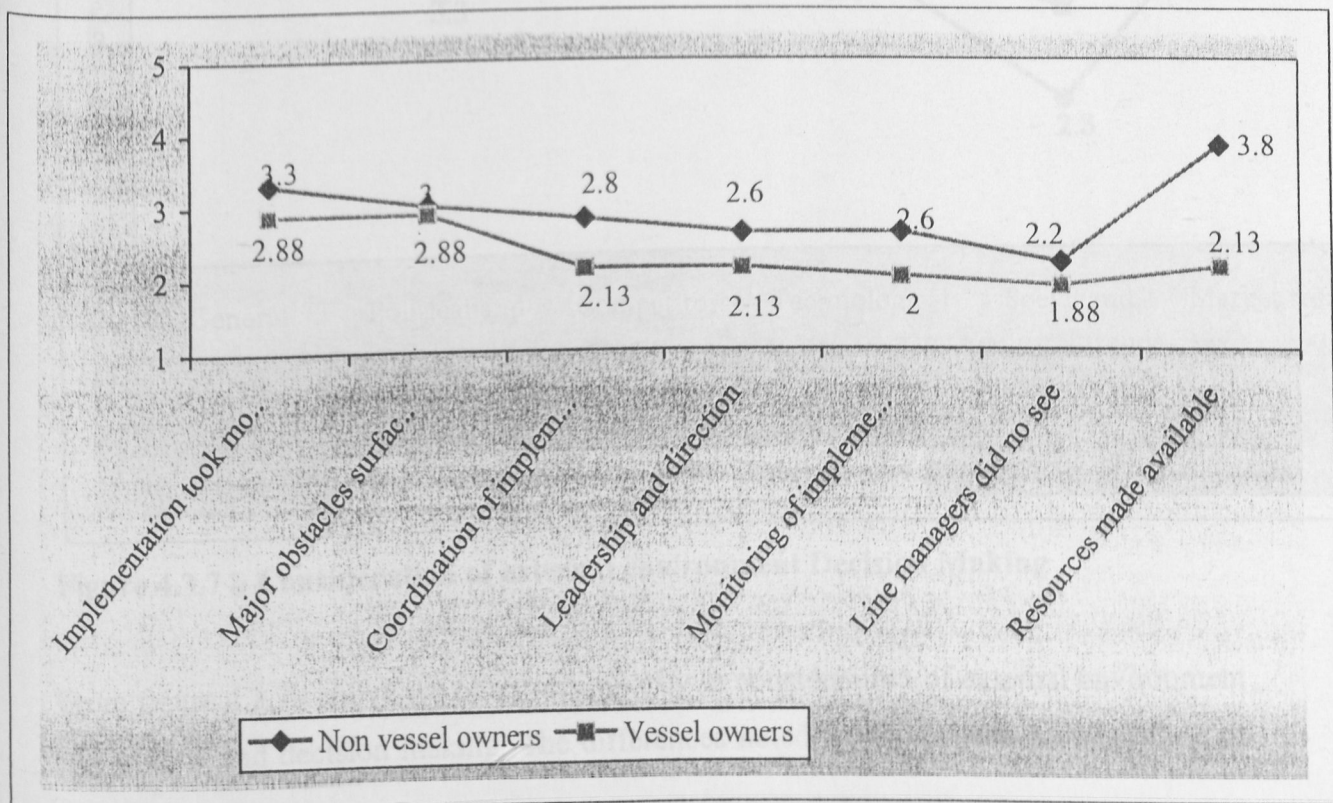


Figure 4.3.7 a Problems during strategy Implementation

Figure 4.3.7a above shows similarity in problems encountered during strategy implementation with a general mean score difference of less than a point except for resource availability which showed a difference of 1.67 points. Non vessel owning companies rated inadequacy of resources higher than vessel owning companies. This again can be attributed to ownership because vessel owning multinationals receive financial support from their headquarters and can access off shore funds reducing significantly resource constraint.

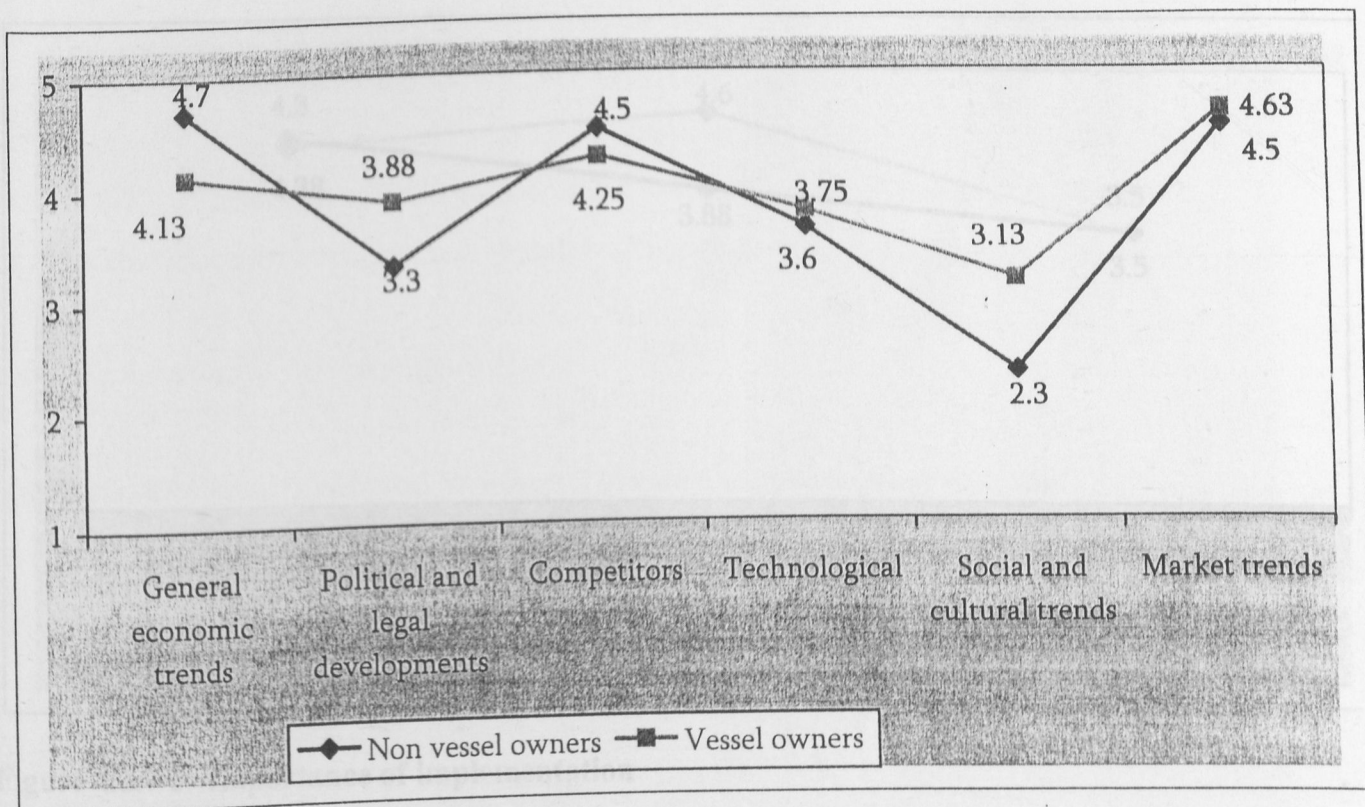


Figure 4.3.7 b Consideration of external environment Decision Making

From figure 4.3.7b above we observe similarity in consideration of external environment in planning and decision making. The differences noted are small with a mean score of less than a point.

4.3.8 Significance Test

The Mann-Whitney U test was carried out to establish if the difference revealed by the Likert profiles was statistically significant. This test was based on the consideration of external environment factors, importance of implementation factors and problems experienced during strategy implementation. The confidence level was set at 95% (5% significant level). The critical U value from the table is 17. The following hypothesis were formulated:

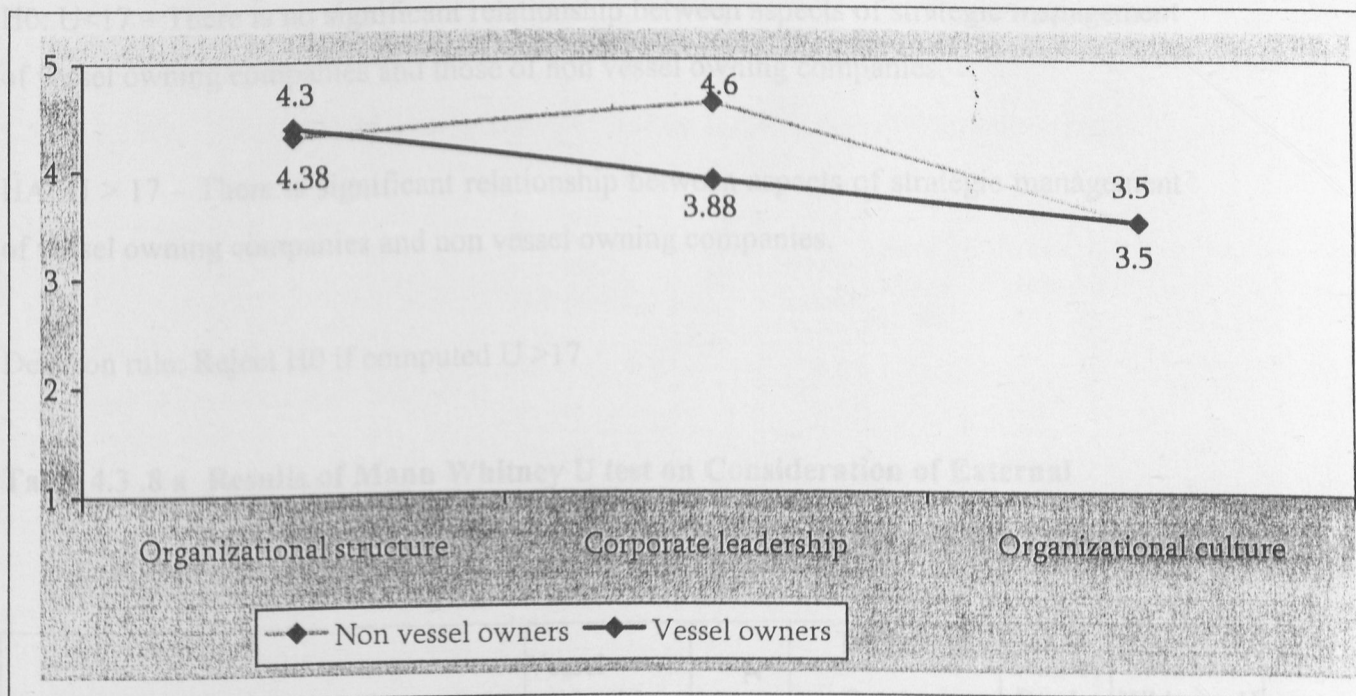


Figure 4.3.7 c Importance of implementation

From figure 4.3.7c above we notice similarity among vessel owning companies and NVOCCs in importance attached to organizational structure and organizational culture. However there is apparent difference in the importance attached to corporate leadership whereby non vessel owning companies have a score of 4.6 and vessel owning companies have a score of 3.88. This difference can be attributed to ownership whereby local companies are closely monitored and run by the directors in a family style fashion. This contrast with vessel owning multinationals that rely on hired managers.

4.3.8 Significance Test

The Mann-Whitney U test was carried out to establish if the difference revealed by the Likert profiles was statistically significant. This test was based on the consideration of external environment factors, importance of implementation factors and problems experienced during strategy implementation. The confidence level was set at 95% (5% significant level). The critical U read from the table is 17. The following hypothesis were formulated.

H0: $U < 17$ – There is no significant relationship between aspects of strategic management of vessel owning companies and those of non vessel owning companies.

Table 4.3.8 b: Results of Mann-Whitney U test on Importance of Implementation

HA: $U > 17$ – There is significant relationship between aspects of strategic management of vessel owning companies and non vessel owning companies.

Decision rule: Reject H0 if computed $U > 17$

Table 4.3 .8 a Results of Mann Whitney U test on Consideration of External Environmental Factors in decision making.

	Vessel ownership	N	Mean Rank	Sum of Ranks	Mann-Whitney U
Level of consideration of general economic trends in planning and decision making	No	10	11.45	114.5	
	Yes	8	7.06	56.5	
	Total	18			20.5
Level of consideration for political and legal developments in planning and decision making	No	10	8.8	88	
	Yes	8	10.38	83	
	Total	18			33
Level of consideration for competitors in decision making	No	10	9.9	99	
	Yes	8	9	72	
	Total	18			36
Level of consideration for technological changes in planning and decision making	No	10	9.4	94	
	Yes	8	9.63	77	
	Total	18			39
Level of consideration for social and cultural trends in planning and decision making	No	10	8.05	80.5	
	Yes	8	11.31	90.5	
	Total	18			25.5
Level of consideration for market trends in planning and decision making	No	10	9.5	95	
	Yes	8	9.5	76	
	Total	18			40

Statistical conclusion

Since computed U for all factors is more than 17 we reject H0 and accept HA. This implies that there is significant relationship between the aspect of external environment in strategic management of vessel owning companies and Non vessel owning companies. This means that there is no statically significant difference in consideration of external

environment in planning and decision making between vessel owning and non vessel owning companies.

Table 4.3.8 b Results of Mann-Whitney U test on importance of implementation factors

	Vessel ownership	N	Mean Rank	Sum of Ranks	Mann-Whitney U
Importance of organizational structure in implementing strategies	No	10	9.65	96.5	
	Yes	8	9.31	74.5	
	Total	18			38.5
Importance of corporate leadership in implementing strategies	No	10	11.95	119.5	
	Yes	8	6.44	51.5	
	Total	18			15.5
Importance of organizational culture in implementing strategies	No	10	9.4	94	
	Yes	8	9.63	77	
	Total	18			39

Statistical conclusion

Since computed U for organizational structure and organization culture is more than seventeen we reject H0 and accept HA. However since computed U for corporate leadership is 15.5 we fail to reject H0. This implies there is statistically significant difference between importance attached to corporate leadership by vessel owning companies and Non vessel owning companies.

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Table 4.3.8 c Results of Mann Whitney U test on problems faced during strategy implementation.

	vessel ownership	N	Mean Rank	Sum of Ranks	Mann-Whitney Test
Implementation took more time than was allocated	No	10	10.4	104	31
	Yes	8	8.38	67	
	Total	18			
Obstacles during implementation	No	10	9.7	97	38
	Yes	8	9.25	74	
	Total	18			
Coordination activities Not effective enough	No	10	10.45	104.5	30.5
	Yes	8	8.31	66.5	
	Total	18			
Leadership and direction by managers Not adequate	No	10	10.25	102.5	32.5
	Yes	8	8.56	68.5	
	Total	18			
Implementation activities Not adequate	No	10	10.45	104.5	30.5
	Yes	8	8.31	66.5	
	Total	18			
Line managers did Not see the decision as important	No	10	10.15	101.5	33.5
	Yes	8	8.69	69.5	
	Total	18			
Resources made available were inadequate	No	10	12	120	15
	Yes	8	6.38	51	
	Total	18			

Statistical conclusion

Since computed U for all other factors except inadequacy of resources is more than 17 we reject H0 and accept HA. However for resource inadequacy we fail to reject H0. This implies that all other problems experienced by the companies in implementing strategies are not significantly different except for availability of resources

Overall Conclusion of Mann Whitney U test on Aspects of Strategic Management

Except for importance attached to corporate leadership in strategy implementation and problem attached to lack of resources, other considered aspects of strategic management are similar between vessel owning and non vessel owning companies.

4.4.0 PERFORMANCE

Questions in this section sought to determine whether strategies adopted by shipping companies in Kenya have influenced their performance. Respondents were asked to rank among factors three which they considered important measures of performance. These factors were aggregated and overall performance determined. Gamma coefficients were used to determine relationship between strategy and performance.

4.4.1 Strategy Impact on Performance

All the respondents said that the strategy they have been using has impacted on their performance (See Table 4.4.1 a). One (6%) respondent said that the strategy had small impact on performance. Five (28%) said the impact has been on average while the majority (67%) said the strategy they follow has impacted on their performance to a great extent. It is worth noting that a larger proportion (75%) of vessel owning companies said that the impact has been on a large extent compared to the proportion (60%) that does not own vessels.

Table 4.4.1 a Strategy impact on performance

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n =18		n =10		n =8	
	n	%	n	%	n	%
Small extent	1	6	1	10	0	0
On Average	5	28	3	30	2	25
Great Extent	12	67	6	60	6	75
Success Rating						
Successful	14	78	8	80	2	25
Unsuccessful	4	22	2	20	6	75

In Table 4.4.1 b respondents gave varied aspects that have been impacted by strategies they have adopted. Majority said they have experienced increased market share and also their profitability has increased. Increase in sales volume and improved staff motivation were cited by a considerable number. Others cited include steady growth, improved service quality and overall cost reduction. When the respondents were asked whether they considered their companies successful, 14 fourteen (78%) said they considered their companies successful while only four (22%) considered theirs unsuccessful.

Table 4.4.1 b Aspects of Strategy impact

Aspects of Strategy Impact	n = 18	
	Frequency	Percentage
Increase in Market Share	9	50
Increase in Profit	6	33
Increase in Sales Volume	4	22
Improved Staff Motivation	4	22
Steady Growth	2	11
Improved Service Quality	1	6
Cost reduction	1	6

4.4.2 Measures of Performance

Questions in this section were aimed at establishing the most important measures of performance. Respondents were asked to rank the first three measures among other factors they considered most important in measuring performance and the results presented on Table 4.4.2 a.

Profitability was considered by nine respondents (50%) as the first most important measure of performance. A higher proportion (63%) of vessel owning companies favoured profitability as the measure of performance compared to 40% of non vessel owning companies who considered it as the first measure of performance. Service quality was considered as the second most important measure of performance by five (28%) respondents while growth was considered as the third most important measure of performance by four (22%) respondents. Market share also featured prominently as an important measure of performance.

Respondents were asked to evaluate their level of performance based on three important measures of performance in their respective companies. The three measurement levels were aggregated and an overall performance level determined (See Table 4.4.2 b). One (6%) respondent indicated a performance level of first quarter, that is between 0-25%. Five respondents (28%) indicated a performance level of second quarter (26% - 50%). Ten (56%) indicated a performance level of third quarter (51% - 75%). Two (11%) indicated performance of fourth quarter (76%-100%). This implies that 67% of the shipping companies are doing well attaining above average performance. Vessel owning

companies registered better performance with 75% attaining above average performance when compared to 60% non vessel owning companies who attained above average performance.

Table 4.4.2 a Measures of performance

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n=18		n=10		n=8	
	n	%	n	%	n	%
First Measure of Performance						
Profitability	9	50	4	40	5	63
Growth	1	6	1	10	0	0
Market Share	2	11	2	20	0	0
Competent Skilled employees	1	6	0	0	1	13
Service quality	4	22	3	30	1	13
Training programs	1	6	0	0	1	13
	18	100	10	100	8	100
Second Measure of Performance						
Profitability	4	22	3	30	1	13
Growth	2	11	0	0	2	25
Market Share	3	17	0	0	3	38
Competent Skilled employees	2	11	2	20	0	0
Service quality	5	28	4	40	1	13
Training programs	1	6	0	0	1	13
Timeliness of Service	1	6	1	10	0	0
	18	100	10	100	8	100
Third Measure of Performance						
Profitability	2	11	2	20	0	0
Growth	4	22	1	10	3	38
Market Share	3	17	2	20	1	13
Competent Skilled employees	2	11	1	10	1	13
Service quality	2	11	1	10	1	13
Training programs	2	11	2	20	0	0
Timeliness of Service	1	6	0	0	1	13
Shareholders Value	1	6	0	0	1	13
New technology adopted	1	6	1	10	0	0
	18	100	10	100	8	100

Table 4.4.2 b Overall performance

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n=18		n=10		n=8	
	n	%	n	%	n	%
0 - 25%	1	6	1	10	0	0
26% - 50%	5	28	3	30	2	25
51% - 75%	10	56	6	60	4	50
76% - 100%	2	11	0	0	2	25
	18	100	10	100	8	100

4.4.3 Strategy Influence on Performance

Various strategy practices were cross tabulated against performance and SPSS gamma test run to establish the influence of strategy practice on company performance (See Appendix 3). As we had earlier indicated it should be noted that strategy practices are not mutually exclusive and therefore a company could have more than one strategy practice. This dilutes the effect of gamma test on one practice of strategy.

Very strong positive relationship with a gamma coefficient of 0.846 was established between logical incrementalism view of strategy and performance. This implies companies that develop strategy through experience over time and adjust them to fit the external environment requirements register better performance. A strong positive relationship with a gamma coefficient of 0.615 exists between written strategy and performance. This implies if strategies are well articulated and understood they will contribute to better performance. A moderate positive relationship with a gamma coefficient of 0.548 exists between the people involved in strategy formulation and performance. This implies participative strategy formulation yields better performance.

A weak negative relationship with a gamma coefficient of -0.263 exists between command view of strategy and performance. Similarly a weak negative relationship with a gamma coefficient of -0.436 exists between imposed strategy and performance. This implies that command view of strategy whereby only one person in the organization is involved in strategy, affects performance negatively although to a very small extent. Similarly strategy imposed by external forces impacts negatively on performance although the influence is minimal. A moderately strong negative relationship exist between cultural view of strategy and performance. This implies shipping companies who have stuck to doing things the way they have always been done over the years performed poorly to some extent.

4.5 COMPARISON WITH OTHER EMPIRICAL STUDIES DONE IN KENYA

In this section the findings of the study are compared with those of other studies carried out on strategic management in other sectors of Kenyan economy. Aosa (1992) found that majority of the companies he studies had no explicit mission statements. "If they existed at all it was vaguely in the minds of top managers" (Aosa,1992, P. 246). This finding was corroborated by studied done by Karemu (1993) and Kiruthi (2001). This study noted that shipping companies have explicit well articulated mission statements. Studies by Kang'oro (1998) on public sector and Njanja (2001) on Agricultural parastatals have similar findings with this study. They noted presence of well articulated mission statements. However they noted general lack of commitment to the mission during strategy implementation phase. The differences between Aosa (1992) and Karemu (1993) studies on one hand and this studies and that of Kangoro (1998) and Njanja, (2001) on the other hand could be attributed to the context of time and the sector studied. Aosa studied large manufacturing companies in Kenya in 1992 and Karemu studied retailing supermarkets in 1993.

Karemu (1993) observed absence of long range plans. She noted that the planning horizons were short and plans were kept informal. Kang'oro (1998) on the other hand noted that public sector had well articulated plans. This was also confirmed by Njanja (2001) who noted that agricultural parastatals have formal planning sessions. This study found that shipping companies have varied planning horizons ranging from short term to long term. These are characterized by both formal and informal planning aspects.

Karemu (1993) noted that although all supermarkets studied indicated that they had strategies few of them showed any serious commitment to them. Kiruthi(2001) found that clubs did not seem to have concrete strategies in place to ensure their survival although they continued to attract members in large numbers. She attributed this to unique management structure of clubs. Kang'oro (1998) noted that public sector organizations had strategies but they did not enjoy benefits of strategic management because they implemented them poorly. This study discovered that shipping companies

have well articulated strategies and these strategies have had great impact on their performance.

CONCLUSION

Aosa (1992) observed that most companies he studied had difficulties conducting environmental scanning. Where the activity was carried out, it was informal and unsystematic. This was corroborated by Karemu (1993). This study however observed that shipping companies participated in environmental scanning. However they differed on how they conduct this exercise, with most preferring marketing intelligence. This difference could still be attributed to the context.

Karemu (1993) noted that among the environmental factors given prime consideration are economic trends and marketing trends. She attributed this to the availability of information and their direct relationship to profits. This study also had similar findings. However in addition to economic and market trends, competitors were also given prime consideration.

CHAPTER FIVE

CONCLUSION

5.1 SUMMARY, DISCUSSIONS AND CONCLUSIONS

In this section of the report results are summarized, discussed and conclusions drawn.

From theoretical framework discussed in chapter two, deliberate strategic management consists of mission and objectives, plans, strategies, external and internal analysis. The mission defines the basic reason for existence. Strategy will only make sense if the market to which it relates are known. Objectives are the ends which the organization seeks to achieve through its existence and operations (Jauch and Glueck, 1988).

Majority of the shipping companies studied have well articulated mission statements. These mission statements are interpreted through explicit objectives set mostly by the top management. Once the objectives are set they are communicated to the subordinates through formal channels which include formal meetings, company newsletter and memos among others. Informal communication also plays part in communicating objectives. This includes informal interactions or verbal communication.

All the shipping companies have plans. The types of plans range from short-term functional plans to long term strategic plans. Long term plans are broken down into short-term functional tactical plans for implementation purposes. Planning horizon range from less than one year to more than five years. Most of the plans are in written form and are formal. From time to time, informal planning interactions support the planning process. Plans are mainly developed by top management and are reviewed mostly on quarterly basis.

All the shipping companies carry out external and internal analysis. However the methods used to carry out these analysis differed from one company to the other. The most popular method of external analysis was marketing intelligence. On the other hand the most popular method of internal analysis was financial auditing and of human

resources appraisal. Importance was given to market trends, economic trends and competition when conducting external analysis. Most shipping lines perform internal analysis in order to evaluate their performance.

Two major conclusions can be drawn from the findings of this study: Firstly, formal

From the literature review (presented on chapter two) Butcher and Mainelli (1988), gave five forms of strategic management while Johnson and Scholes gave three forms of strategic management practice based on how the strategy is developed. From the findings of this study strategic management practices tend to be, annual, developmental and complete. Strategies are mainly developed through deliberate managerial intent as well as imposed by agencies or forces external to the organizations. This managerial intent of strategy development within the shipping companies in Kenya is characterized by planning view and notion of logical incrementalism.

5.2 IMPLICATIONS AND POLICY RECOMMENDATIONS

Theoretical framework (set out in chapter two) indicates that there is a relationship between explicit strategy and performance. The findings of this study confirmed this supposition. Majority of shipping lines said that strategy impacted on their performance to a great extent. The impact on performance has been noted in terms of increased market share, profitability and increase in sales volume. This is corroborated by PIMS findings. Most of the shipping companies were also found to be successful contrary to advances on literature review that the shipping industry is in turmoil, lacks adaptability and has stagnated. This could be attributed to context. The literature reviewed related to studies done in developed countries where the situation in shipping is characterized by large surplus of tonnage in all types and sizes of ships which is not the case in Kenya. Further, all locally owned shipping companies in Kenya do not own vessels and only eight (44%) of the total companies studied own vessels.

Profitability, service quality, growth and market share were considered the most important measures of performance by the shipping companies. On overall basis most shipping lines have achieved high levels of performance. Very strong positive relationships were noted to exist between performance and presence of written strategies, logical incrementalism notion of strategy, and planning view of strategy. Moderately

strong negative relationships were noted between performance and presence of cultural view of strategy and imposed strategy.

Two major conclusions can be drawn from the findings of this study: Firstly, formal strategic management is practiced within the shipping industry in various forms which tend to include annual, developmental and complete strategic management. Secondly, that well articulated explicit strategies have positively impacted on the overall performance of the shipping companies. That written strategies which are proactively conceived and well communicated within the organization tend to improve overall performance of shipping companies hence making the shipping industry in Kenya attractive contrary to reviewed literature.

5.2 IMPLICATIONS AND POLICY RECOMMENDATIONS

The findings of this study indicates that shipping companies practice formal strategic management in various forms which tend to include annual, developmental and complete strategic management. So as to reap maximum benefits from strategic management, shipping companies need to step up their practices towards complete strategic management. To attain this level of complete strategic management, they will need to develop integrated strategies at various levels within the organization. They will also have to invest more in long term strategic plans to remain focused and future oriented. To ensure that the continuous changes in the external environment do not render long term plans redundant, long term plans should be supplemented by strategic issue management system. This does not interfere with the existing structure and systems but ensure continuous surveillance over the external environment where urgent issues are identified and resolutions found.

This study observed that shipping companies put more emphasize on marketing strategies. They need to enrich their strategic practices by first of all defining their generic strategies and building their grand strategies on the generic strategies. The generic strategies of cost, differentiation or focus should be used to define the fundamental options since they form the basis of competitive advantage. Grand

strategies should then be used to provide basic direction for strategic action. Other grand strategies like concentrated growth, vertical integration, horizontal integration, turn around, diversification and others should be practiced together with the marketing strategies in order to enhance competitive advantage and performance.

It would also be advisable if the shipping companies would perform internal analysis with a view to creating distinctive advantage other than comparative advantage as it is the case. It should be noted that, it is only the distinctive advantage which forms basis of competitive advantage. Shipping companies conduct internal analysis dutifully to know how they have been performing in the past and to determine which areas did better than the other. Very few shipping companies tried to use the results of the internal analysis to create a strategic advantage profile (SAP). We would recommend that the shipping companies use their internal analysis to determine their strengths and weaknesses so that they can use the scenario to reflect dynamic realities.

5.3 LIMITATIONS OF THE STUDY

Other than limitations associated with the survey method of data collection, which the researcher put best effort to minimize, this study has the following limitations: Firstly, the study was biased towards deliberate strategic management which assumes rational analytical model. This model of strategic management has come under increasing attack from processualists who argue that strategies can just emerge from a pattern of decisions without necessarily engaging in formal planning (Mintzberg, 1987). The findings of this study should therefore be seen in this context.

Secondly, there were practical constraints in terms of time and material resources. This may have affected the response rate owing in mind the study was designed to be a census. This study therefore lacks benefits of a census survey study as given on chapter three. Thirdly, although the findings of this study have been compared with those done in other sectors of Kenyan economy, the variations found may be reflecting sectoral and time differences.

5.4 SUGGESTION FOR FURTHER STUDIES

This study documented strategic management practices of the shipping companies in Kenya. This being basically an exploratory study it did not cover in depth the various aspects of strategic management. Further studies can be conducted to get depth insight into the aspect of strategy formulation, strategic planning or even strategy implementation. An in depth study could also be conducted to determine profit impact on market strategy among shipping companies in Kenya. Studies to document strategic management practices in other sectors of Kenyan economy not studied should also be done. A longitudinal study on strategic management practices of shipping companies in Kenya could be carried out to determine the effect of emergent strategy on performance.

It may not be possible to draw general conclusions due to inherent limitations of this study. Nevertheless the study provides some insight into the strategic management practices of the shipping lines and the effect different views of strategy have on performance.

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APPENDICES

1A LETTER TO THE RESPONDENT

Dear Respondent

Most studies done abroad concerning shipping industry note that the industry is in turmoil due to protectionism, overcapacity and lack of adaptability. Very little is known about the shipping Industry in Kenya. In order to overcome this general lack of knowledge and as partial fulfillment for my Master of Business Administration (MBA) degree, this survey aims at documenting strategic management practices of the shipping industry. It is towards this that this questionnaire calls for your assistance in providing the necessary information.

Neither your name nor that of your shipping line is required and you are assured that the information you provide will be treated in strict confidence and will only be used for academic purposes. At your request, a summary of the results will be sent to you.

Thank you in advance for your cooperation and understanding.

Yours sincerely,

MUGAMBI G.K. M'NCHEBERE
MBA FINALIST

DR. MARTIN OGUTU
SUPERVISOR

1B QUESTIONNAIRE

PART I GENERAL INFORMATION

- 1 a) Shipping Line name
- b) Position of the respondent in Kenya.....
2. Year of establishment of company in Kenya.....
3. Year when company started operations
4. How would you classify your shipping line (Tick appropriately)
- a) Predominantly local (51% or more) []
- b) Predominantly foreign (51% or more) []
- c) Balanced between foreign and local (50/50) []
- 5 Does your shipping line own vessels (tick appropriately)
- Yes [] No []
6. If it owns vessels, which category of vessels does it own. (Tick the ones it owns)
- Tankers [] Specialized carriers []
- Combined carriers [] Unitized carriers []
- Bulk carriers [] General cargo vessels []
- Others (specify)
7. Number of employees in Kenya (2003)
8. Approximate value of total assets in Kenya (2002).....

PART II

MISSION AND OBJECTIVES

- 10 a) Do you have mission statement for your shipping line (Tick appropriately)
- Yes [] No []
- b) If yes, What is it
-

.....
c) Is your mission statement in a written form (Tick appropriately)

Yes [] No []

11. a) Do you have any set objectives for your shipping line.

Yes [] No []

b) Who participates in setting of these objectives (tick as appropriate

Directors only [] Functional staff []

All the above [] Managers only []

Others (Specify)

c) Is every one in the company aware of these objectives

Yes [] No []

d) How do you communicate these objectives

.....
.....

e) Are these objectives in written form

Yes [] No []

PART III

PLANNING

12. What types of plans does your company develop (Please classify them in terms of time span, function and level).....

13. What time period do these plans cover (Please tick appropriate)

0 - 1 year []

1 - 3 years []

3 - 5 years []

5 years and beyond []

14. Who participates in development of these plans?

.....
.....

15. Are these plans written once you develop them

Yes [] No []

16. How often do you review these plans

Monthly [] Semi annually []

Annually [] Quarterly []

17. Please indicate whether the following features characterize your planning process by (ticking where appropriate).

a) Set Planning meetings Yes [] No []

b) Iformal planning interactions Yes [] No []

c) Time tables for plan preparation Yes [] No []

d) Clearly assigned responsibilities for planning Yes [] No []

e) Have planning department Yes [] No []

PART IV: STRATEGY PRACTICES

18 a) Has your shipping line developed any approach (es) for doing business

Yes [] No []

b) If so what are these approaches

.....
.....

c) Have you changed these approaches overtime?

Yes [] No []

Why

.....

d) Do you intend to maintain these current approaches over 3 – 5 years?

Yes [] No []

19) a) How do you develop these approaches

.....
.....

b) Who participates in this development process?

.....
.....

c) Are these business approaches written

Yes [] No []

d) What problems have you faced (if any) in developing and effecting these business approaches

1.

2.
3.
4.

20 Please indicate whether the following features characterize your approach to business by ticking where appropriate.

- a) Our approach to Business is driven by our management intention to achieve success Yes [] No []
- b) Our approach to business is driven by our capability to plan
Yes [] No []
- c) Our chief executive / Managing Director is the only one who determines how we should conduct our business. Yes [] No []
- d) We adjust our approach to business through our experience from the things we do on daily basis. Yes [] No []
- e) We conduct our business the way we do today because the is how that has always been done here. Yes [] No []
- f) We are forced by external forces to conduct our business the way we do.
Yes [] No []

PART V EXTERNAL ENVIRONMENT

21 a) Do you survey external environment to help you make business decisions

Yes [] No []

b) If Yes how do you do it?

.....

Who is in charge of this exercise.....

22. Indicate the extent to which the following is considered in making business plans and decisions. Rate on a 5 scale where by 1 = not considered to 5 = given prime consideration.

	1	2	3	4	5
a) General economic trends	[]	[]	[]	[]	[]
b) Political and legal developments	[]	[]	[]	[]	[]
c) Competitors	[]	[]	[]	[]	[]
d) Technological changes	[]	[]	[]	[]	[]
e) Social and cultural trends	[]	[]	[]	[]	[]
f) Market trends	[]	[]	[]	[]	[]
g) Company's competitors	[]	[]	[]	[]	[]

23. Which mode of transport do you view to be your biggest competitor and why?

.....

PART VI: INTERNAL ANALYSIS

- 24 a) Do you make assessments of all your resources

Yes [] No []

- b) Please explain how you do it.

.....

.....

- c) What do you hope to achieve by conducting internal assessment of your resources?

.....
.....
d) Do you have budgets?

.....
.....

e) How do you develop them?

.....
.....

d) What is the range of your budget forecasts

PART VII: IMPLEMENTATION

25. To what extent have the following factors been important in implementing your strategies. Rate on a scale 5 whereby 1 = totally unimportant to 5 = very important.

	1	2	3	4	5
a) Organizational structure	[]	[]	[]	[]	[]
b) Corporate leadership	[]	[]	[]	[]	[]
c) Organizational culture	[]	[]	[]	[]	[]

26. Below is a list of problems that can arise when implementing a business decision. Indicate the extent to which any of these problems arose during the implementation process. Rate on a scale of 5 whereby 1 = was not a problem to 5 = was a major problem.

	1	2	3	4	5
a) Implementation took more time than was originally allocated.	[]	[]	[]	[]	[]

- b) Major obstacles surfaced during implementation that had not been identified before had. [] [] [] [] []
- c) Coordination of implementation activities was not effective enough. [] [] [] [] []
- d) Leadership and direction provided by managers was not adequate. [] [] [] [] []
- e) Monitoring of implementation activities was inadequate [] [] [] [] []
- f) Line managers did not see the decisions important [] [] [] [] []
- g) Resources made available were inadequate [] [] [] [] []
- h) Others (specify)..... [] [] [] [] []

PART VIII: PERFORMANCE

27. a) To what extent do you think that Your approach to business has impacted on your performance.

No impact [] Small extent [] On average [] greater extent []

b) What do you consider to be the impact. Please explain.

28. Do you consider your organization to have been successful?

Yes [] No []

29. There are various measures of performance. Please rank the first three you consider most important in measuring performance of your shipping line from the list given below:

- a) Profitability [] based on the above measure.
- b) Growth []
- c) Market share []
- d) Shareholders value []
- e) Competent skilled employees []
- f) Service quality []
- g) Timeliness of services []
- i) New technology adopted []
- j) Training programmes []
- k) Others (specify)

30 a) From question 29 above, please list the first most important measure of performance in your company.

b) Please indicate the level of performance over the last five years based on the above measure.

	0-25%	26-50%	51-75%	76-100%
i) 2002	[]	[]	[]	[]
ii) 2001	[]	[]	[]	[]
iii) 2000	[]	[]	[]	[]
iv) 1999	[]	[]	[]	[]
v) 1998	[]	[]	[]	[]

c) List the second most important measure of performance in your company.

.....

d) Indicate the level of performance for the last 5 years based on the above measure.

0-25% 26-50% 51-75% 76-100%

- | | | | | |
|-----------|-------|-------|-------|-------|
| i) 2002 | [] | [] | [] | [] |
| ii) 2001 | [] | [] | [] | [] |
| iii) 2000 | [] | [] | [] | [] |
| iv) 1999 | [] | [] | [] | [] |
| v) 1998 | [] | [] | [] | [] |

e) Now list the third most important measure of performance in your company.....

f) Indicate the level of performance for the last 5 years based on the above measure.

0-25% 26-50% 51-75% 76-100%

- | | | | | |
|-----------|-------|-------|-------|-------|
| i) 2002 | [] | [] | [] | [] |
| ii) 2001 | [] | [] | [] | [] |
| iii) 2000 | [] | [] | [] | [] |
| iv) 1999 | [] | [] | [] | [] |
| v) 1998 | [] | [] | [] | [] |

THANK YOU VERY MUCH FOR YOUR COOPERATION.

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APPENDIX 2 SHIPPING COMPANIES IN KENYA

- 1 African Liner Agencies Ltd
- 2 Afrique Trading & Shipping Co. Ltd
- 3 Bat-Haf Barwil Agencies Ltd
- 4 Braemar Shipping Agency (K) Ltd
- 5 Break Bulk Enterprises
- 6 Compagnie Generale Maritime
- 7 Con Bulk Ltd
- 8 East African Commercial & Shipping co. Ltd
- 9 Eculine (K) Ltd
- 10 Export Consolidation Services (K) Ltd
- 11 Inchcape Shipping Services (K) Ltd
- 12 Interocean (EA) Ltd
- 13 Kenya National Shipping Line Ltd
- 14 Maersk (K) Ltd
- 15 Motaku Shipping Agencies Ltd
- 16 Multiport International Ltd
- 17 Murri Ship Management Ltd
- 18 Murtaza Shipping agency Ltd
- 19 Oak Shipping agencies Ltd
- 20 Ocean Freight (EA) Ltd
- 21 P&O Nedlloyd (EA) Ltd
- 22 PIL (K) Ltd
- 23 Poseidon Shipping Ltd
- 24 SDV Transami (K) Ltd
- 25 Safco (K) Limited
- 26 Sea Bulk Chartering & Shipping
- 27 Sea Reef Shipping Ltd
- 28 Seaforth Shipping (K) Ltd
- 29 Sentran Maritime (k) Ltd
- 30 Sinotaco (K) Ltd
- 31 Southern Shipping services Ltd
- 32 Star East Africa Co Ltd
- 33 Sturrock Shipping (K) Ltd
- 34 Swift Shipping (K) Ltd
- 35 WEC Lines
- 36 Intertrans Express Lines
- 37 Genuine Movers

APPENDIX 3 STRATEGY INFLUENCE ON PERFORMANCE

Influence of Written Strategy on Performance

Performance Level	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n=18	%	n = 11	%	n = 7	%
0 - 25%	1	6	1	9	0	0
26% - 50%	5	28	1	9	4	57
51% - 75%	10	56	7	64	3	43
76% - 100%	2	11	2	18	0	0

Measure of Relationship Gamma = 0.615

Influence of Strategists on Performance

Performance Level	All Shipping Companies		Directors		Directors and Managers		Everyone	
	n = 18	%	n = 4	%	n = 9	%	n = 5	%
0 - 25%	1	6	2	50	1	11	0	0
26% - 50%	5	28	2	50	3	33	0	0
51% - 75%	10	56	0	0	4	44	4	80
76% - 100%	2	11	0	0	1	11	1	20

Gamma=0.548

Influence of Planning View of Strategy on Performance

Performance Level	All Shipping Companies		Presence of Planning View of Strategy		Absence of Planning View of Strategy	
	n = 18	%	n = 12	%	n = 6	%
0 - 25%	1	6	0	0	1	17
26% - 50%	5	28	3	25	2	33
51% - 75%	10	56	7	58	3	50
76% - 100%	2	11	2	17	0	0

Influence of Command View of Strategy on Performance

			Presence of Command		Absence of Command	
Performance	All Shipping Companies		View of Strategy		View of Strategy	
Level	n = 18	%	n = 5	%	n =13	%
0 - 25%	1	6	0	0	1	8
26% - 50%	5	28	2	40	3	23
51% - 75%	10	56	3	60	7	54
76% - 100%	2	11	0	0	2	15

Measure of Relationship Gamma = -0.263

Influence of Logical Incrementalism View of Strategy on Performance

			Presence of Logical		Absence of Logical	
Performance	All Shipping Companies		Incrementalism		Incrementalism	
Level	n = 18	%	n = 17	%	n =1	%
0 - 25%	1	6	1	6	0	0
26% - 50%	5	28	4	24	1	100
51% - 75%	10	56	10	59	0	0
76% - 100%	2	11	2	12	0	0

Measure of Relationship Gamma = 0.846

Influence of Cultural View of Strategy on Performance

			Presence of Cultural		Absence of Cultural	
Performance	All Shipping Companies		View of Strategy		View of Strategy	
Level	n = 18	%	n = 5	%	n =13	%
0 - 25%	1	6	0	0	1	8
26% - 50%	5	28	3	60	2	15
51% - 75%	10	56	2	40	8	62
76% - 100%	2	11	0	0	2	15

Measure of Relationship Gamma = -0.581

Influence of Imposed Strategy on Performance

			Presence of Imposed		Absence of Imposed	
Performance	All Shipping Companies		Strategy		Strategy	
Level	n = 18	%	n = 13	%	n =5	%
0 - 25%	1	6	1	8	0	0
26% - 50%	5	28	4	31	1	20
51% - 75%	10	56	7	54	3	60
76% - 100%	2	11	1	8	1	20

Measure of Relationship Gamma = -0.436

Influence of Complete Strategic Management on Performance

	All shipping Companies		Non Vessel Owning		Vessel Owning	
	n =18	%	n =10	%	n =8	%
Proportion of the total companies	5	28	2	20	3	38

Performance of companies practicing Complete Strategic Management

Level of	Subgroup Total		Non Vessel Owning		Vessel Owning	
Performance	n = 5	%	n = 2	%	n = 3	%
0 - 25%	1	20	1	50	0	0
26% - 50%	0	0	0	0	0	0
51% - 75%	3	60	1	50	2	67
76% - 100%	1	20	0	0	1	33