RESPONSE STRATEGIES TO CHANGES IN EXTERNAL ENVIRONMENT BY SONYSUGAR COMPANY LIMITED

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER, 2014

DECLARATION

Student's Declaration

This research project is my original work and has neither been submitted nor presented for examination in any university, either in part or as a whole.

Signature…………………………………. Date………….…………

Luke Odoyo Akech

D61/8989/2005

Supervisor's Declaration

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

Signature…………………………………… Date………………………

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ACKNOWLEDGEMENTS

I would like to pay tribute to the Almighty God for giving me an opportunity to pursue this MBA programme particularly at this great university. Great thanks go to the Board of Postgraduate Studies for giving me second chance to accomplish the course after along break caused by lack of finances. I am equally grateful to my cherished supervisor Dr. Bitenge Ndemo for his guidance, intellectual advise, encouragement and constructive critiques throughout the period of my research.

Further thanks go to all respondents in the SonySugar Company Limited for their corporation, participation and provision of helpful information which have made this undertaking real and successful. I would equally like to thank the lecturers and the administration team of the University of Nairobi that admitted and equally treated me as resource throughout my academic orientation at the campus.

DEDICATION

This project is dedicated to my employer, Kenya Department of Immigration Services for giving me time to accomplish my study.

ABBREVIATIONS AND ACRONYMS

COMESA	Common Market for Eastern and Southern Africa
EAC	East Africa Community
GIC	Government Investment Companies
KSB	Kenya Sugar Board
NARC	National Rainbow Coalition
PESTLE	Political, Economic, Social, Technological & Ecological
SONYSUGAR	South Nyanza Sugar Company Limited
SWOT	Strength, Weakness, Opportunities & Threats
TQM	Total Quality Management
WTO	World Trade Organization

ABSTRACT

This study was carried out to examine response strategies employed by SonySugar Company Limited to address changes emanating from its external environment. The research employed case study approach to undertake the exercise. It is worth noting that the world is always changing with time, and managers face complex and challenging pressures and opportunities from the business environment. Due to obvious changes, coupled with stiffer competition and technological advances, organizations must provide sufficient response strategies in order to survive, to grow and to remain competitive and profitable in the long run.

The study sought to answer the following question: how does SonySugar Company Limited strategically respond to changes in its external environment? This study is of great significance to the management of the SonySugar Company Limited, the Kenya sugar industry, and the agricultural sector would be able to gauge the adequacy or capability of major response strategies to the escalating changes in the external environment i.e. corporations involved in farming, manufacturing and commercial activities. It was noted that the study would facilitate individual researchers to identify gaps in the current research and carry out further research in the related areas.

An interview guide was used to collect data on response strategies employed by SonySugar Company Limited to adapt to changes in its external environment. The interview guide contained open ended questions that were administered by the researcher on relevant departments with specific personnel responding to the interviews.

Data analysis and presentation was undertaken by the use of content analysis because the research was qualitative in nature. The study aimed at offering recommendations and solutions to policy makers and stakeholders on how to address the issues affecting the Kenya sugar industry, and more specifically the SonySugar. For purposes of this research, all public owned corporations were assumed to be having different and unique experiences occasioned by; political, economic, social, technological, legal and ecological (PESTLE) factors. The study examined different factors that have affected sugar productivity and profitability of SonySugar Company Limited and how the management strategically responds to these factors.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

External environment has immediate, firsthand impact as well as secondary and distant effects on organizations life. Crafting adaptive strategies to suit changes in the external environment is a principal goal of nearly every top manager in most firms across the world. This is because companies are dependent on their environments for growth, survival and profitability. The external environment provides opportunities and challenges that determine a firm's commercial health, prosperity and return on investment. A firm's external environment provides input resources like; raw materials, labour, technology, land, energy etc; and market for output products; services and manufactured goods.

It is worth noting that organizational response to changes in an external environment is achieved by proper management of environmental forces. Clark (2000) asserts that external environment is by definition outside of the day-to- day control of the firm. Evidently, modern firms are a powerful force within society and are capable of exerting influence on the environment, and as such are in a reciprocal relationship with their environments. Therefore, to ensure survival and success, firms need to develop the capability to manage threats and exploit emerging opportunities promptly. This requires formulation of response strategies that constantly match institutional capabilities to environmental requirements.

The sugar industry in Kenya comprises of both state-owned and private sugar companies competing for the same market. The two sets of establishments namely the public and private corporations tend to conflict with each other in search of market share and supply of raw materials. SonySugar which is a state-owned corporation had been selected for this research owing to the fact that its location is remote and somehow neglected by earlier researchers. The same problem may be found in many other sugar companies, but comparatively, this company remains the ideal.

1.1.1 Concept of Strategy

A strategy is an action that a company takes to attain its goals (Hills, 2001). According to Johnson and Scholes (2008), strategy is the process that matches resources and activities of an organization to the environment in which it operates. On the same breadth, Johnson and Scholes noted that it is essential to timely develop a strategy while identifying opportunities in the environment and adapting resources and competencies to it. A situation known as strategic fit so as to take advantage of such opportunities.

Correspondingly, Newman et al (1989) regarded strategy as the match between an organization's resources and skills, and the environment opportunities and risks it faces, and the purpose it wishes to accomplish. The above definitions place strategy as a basic force which addresses issues of growth, diversification and divestment. Hence, the match is the heart of strategic management for it helps an organization to formulate, develop, implement and evaluate strategies in its attempts to prosper.

Porter (1996) in the same way regards strategy as a particular configuration of value chain, which is ideally unique and sustainable providing strategic positions, which cannot be easily copied by competitor, while Mintzberg et al (2008) consider strategy as a pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. Similarly, Cooper and Schindler (2006) define strategy as the general approach an organization will follow to achieve its goals.

The business researchers emphasize the need for a business intelligence system (BIS), which would help organizations develop and come up with a winning strategy. Significantly, BIS is designed to provide the management with ongoing information about events and trends in the; political, economic, social, technological, legal and ecological areas, and most critically industry environment. According to Ansoff (1988), organizations must match their internal capabilities with pressure in the external environment, failure to which they lose their business survival positioning.

Hence, it is important to note that firms need adaptive strategies to respond effectively to the unstable environment, and therefore, strategic responses are concerned with decisions and actions meant to achieve an organization's goals in the long run. According to Pearce (2011), response strategies are rejoinders to what is happening in a firm's surroundings. A response strategy involves change in an organization's behavior to assure success in transforming the future environment (Ansoff & McDonnel, 1990).

Buchanan and Huczynki (2010) highlighted that to survive in a world that is changing increasingly quickly, businesses need to be able to anticipate change and to keep reconfiguring themselves. Equally, Whittington and Mayer (2002) argued that “adaptive reorganization” has ability to redesign structures frequently which is reasonably critical to organization performance. Subsequently, strategic responses are set of decisions and actions meant to formulate and implement long-range plans designed to achieve a firm’s objectives (Pearce & Robinson, 2011). Hence, companies should seek to achieve a balance between continuity of a current strategy and responsiveness to opportunities, difficulties and changes in the external environment.

A number of scholars including: Pearce and Robinson (2011), Hiriyappa (2008), Barney (2008), Thompson et al (2008) among others have listed several response strategies owing to unique changes arising from external environment, which comprise but not limited to: alliance formation, research and development, outsourcing, differentiation, divestment, integration, restructuring, low-cost, speed-based, diversification, market and product development among other adaptation strategies.

1.1.2 External Environment

Pearce and Robinson (2011) describe external environment as factors beyond the control of a firm that influences its choice of direction and actions, organization’s structure and internal process. On other hand, industry environment are the general conditions for competition that influence all businesses that provide similar products and services. In the Harvard business review, Professor Michael Porter explained the famous five forces that shape competition in an industry as; the power of suppliers, the power of buyers, the threat of new entrants, the rivalry among existing players in an industry, and the power of substitute goods & services amongst others.

Hiriyappa (2008) contends that external environment comprises of outside forces of a firm's boundaries that are helping to shape the firm. Therefore, a plan for strategic management is needed in order to administer issues surrounding a business environment. The external environment forces include; political, economic, social, technological, legal, and ecological (PESTLE) factors. The economic factors concern the nature and direction of the economy within which an organization operates.

Political factors refer to forces that allocate power and provide influence as originating from government decisions. Legal factors comprise a number of laws that regulate the conduct of a business, where some rules are constraining or protecting operations of a firm. Social and cultural factors that affect a firm are beliefs, preference, norms, traditions, customs, values, attitude, opinions and lifestyles of a people in a firm's external environment, as developed from cultural, ecological, demographic, religious, educational and ethnic conditioning.

Technological forces comprise institutions and activities involved with creating new knowledge and translating that knowledge into new output product or services, processes and materials. In the manufacturing sector technology plays critical role in transformation of raw materials from input into finished goods and services which attract customers. Ecological factors concern the relationships among human beings and other living things and the air, soil and water that support them.

1.1.3 The Kenya Sugar Industry

Kotler and Keller (2009) defined an industry as a group of firms offering a product or class of products that are close substitutes for one another. Notably, the marketers classify industries according to the number of sellers; degree of product differentiation; presence or absence of entry, mobility, and exit barriers; cost structure; degree of vertical integration; and degree of globalization. The sugar industry in Kenya, just like the rest of the world, is going through profound changes. In the past decade, technological advancement and regulatory restructuring have transformed the sugar industry tremendously.

The Kenya sugar industry comprises of both state-owned and private companies. The public factories include: SonySugar Company Limited, Nzoia Sugar Company, Muhoroni Sugar Company Limited and Chemelil Sugar Company. The private sugar factories in Kenya include: Kibos and Allied Sugar Company, West Kenya Sugar Company Limited, SOIN Sugar Company Limited, and Butali Sugar Company Limited is also up coming.

The Kenya Sugar Board (KSB), now the Sugar Directorate is the regulatory body of the sugar industry in Kenya. KSB was established in the year 2002 succeeding the defunct Kenya Sugar Authority. The mandate of the Kenya Sugar Board include: to coordinate, regulate, develop and promote the sugar industry. It facilitates equitable access to the benefits and resources of the industry by all players.

1.1.4 SonySugar Company Limited

South Nyanza Sugar Company Limited (SonySugar) was established in 1976, and is located in south western Kenya in Migori County (http://www.sonysugar.co.ke). Sugar processing in the company has been ongoing continuously since its inception. The original ownership has with time been changed due to change of regimes at the helm of national leadership. The mandate of SonySugar include: to increase national sugar production and reduce dependence on sugar imports; to create employment opportunities; and to enhance regional development. SonySugar is a public organization. Public organizations are controlled by the government. The number controlled depends upon the ideas of the government in power.

After independence in 1964, many industries were nationalized; since 1980, most have been denationalized. Reasons for such changes are a mixture of economic, political and social factors prevailing at different times. Public organizations trade and supply goods and services at prices which cover their costs. The government formulates and proposes policy which is approved by parliament to run a naturalized industry.

1.2 Research Problem

Mazzarol and Reboud (2009) emphasized that strategy defines an organization’s aims and the ways that it will use to achieve them. Thus, it sets the context for all other decisions. Every organization needs a clear strategy, so that everyone knows what they are trying to achieve. This strategy does not just appear, but must be carefully designed through a process of strategic management, which Jauch and Glueck (1988) described as a stream of decisions and actions which lead to the development of an effective strategy or strategies to help achieve corporate objectives. Another point is that a strategy should be a well published document. An organization that fails to design and publish its strategy must expect confusion and managers who lack focus. They cannot consider the broader strategic context and are left to make isolated decisions that do not reinforce each other or work towards a common purpose.

The Kenya sugar industry is composed of both state-owned and private companies. The stakeholders in the sugar industry have through the years offered suggestions and solutions as to how the ailing sugar manufacturing industries in Kenya can be revived and improved. To that effect, the government enacted Sugar Bill which has far reaching implications for the industry, but according to stakeholders does not go far enough in addressing the fundamental problems that continually plague the industry.

Evidently, a lot of changes need to take place if the ailing sugar industry is to be revived. The proposed changes have to be introduced at farm level, factory level and policy level to have a comprehensive impact on the whole sugar sub-sector. The research established that some of the problems facing Kenya sugar sub-sector and SonySugar in particular include sudden changes in the external environment and lack of adequate actionable response strategies to manage emerging uncertainties. It was also established that other challenges facing the industry include: poor policy, unpredictable rainfall, lack of tools, poor infrastructure etc.

SonySugar specifically has been facing additional challenges like, the threat of new entrants, competing for the cane supplies, sugarcane poaching, and overdependence on out-grower cane suppliers, mainly supply from subsistence farmers.

The preliminary investigations indicated that no research had been conducted on how SonySugar strategically responds to changes in its external environment. Therefore, it was important to note that while substantial literature exists on firms' strategic responses to changes in external environment, there is no specific academic research that has been done on response strategies by SonySugar Company Limited to changes in its external environment. Some of the local studies on response strategies include: Mogeni (2008) conducted research on responses by Kisii Bottlers to competition; while Mohamed (2007) researched on responses of Nzoia Sugar Company to challenges in its external environment.

Similarly, Khadijah (2011) conducted a study on competitive strategies employed by Mumias Sugar Company to develop competitive advantage; whereas Okoth (2005) researched on competitive strategies by sugar manufacturing firms, and many other related studies both internationally and on the local scene. As much as all these important studies shade light on the nature of response strategies to the changing environment, they do not specifically deal with SonySugar Company Limited.

Conspicuously, some of these researches were undertaken more than three years ago and were specific to different firms and since then the business environment has changed substantially.

Therefore, it can be noted that a knowledge gap exist that needed to be filed by this study. Based on the knowledge gap, the study wishes to address the following question: How does SonySugar Company Limited strategically respond to changes in its external environment? It is therefore researcher's opinion that no or little research to date has been conducted on the response strategies employed by SonySugar Company Limited to address changes emanating from the external environment.

1.3 Research Objective

To determine the response strategies used by SonySugar Company Limited to adapt to changes in the external environment.

1.4 Value of Study

The study aimed at generating results which would be of benefit not only to SonySugar Company Limited management but other companies faced with similar environment. Similarly the study would also help policy makers, particularly the government identify and solve impending problems; and equally, recognize and exploit available opportunities. To academicians, the study would provide additional information into the already existing body of literature. Equally, the study would discover other potential areas of research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides information from various publications on topics, subjects, and themes related to the research problem under investigation. The chapter examined what various scholars and authors have said about the organizations strategic responses to changes in the external environment.

2.2 Theoretical Foundation

Strategic management is an ongoing process that evaluates and controls a business or an industry in which a firm is involved by assessing its competitors and sets goals and strategies to meet all existing and potential competitors, and then re-assesses each strategy periodically to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet the changing circumstances namely; new legal provisions, new ecological environment, new technology, new competitors, new economic environment, new social, financial and political environments (Lamb, 1984).

Lovas (2000) described two approaches to strategic management namely; the industrial organizational approach based on economic theory and deals with issue like competitive rivalry, resources allocation and economies of scale. This approach is anchored on assumptions of rationality, self discipline behaviour and maximization of profits. The other approach is sociological which primarily deals with human interactions, and is anchored on assumptions of bounded rationality, satisfying behaviour and profit sub-optimality. This approach brings in the human and social aspects of strategy which is best demonstrated by Lovas and Ghosal (2000) in their paper strategy as guided evolution. The paper emphasized incorporation of the role of top management in shaping the direction and outcomes of an evolution process within the firm having human and social capital as critical units of selection within the process.

This paper appreciates three main theories namely: universal effects theory, structural contingency theory, and configuration theory. The universal effects theory is an approach which adopted the view that an organization is a system, or an entity of interrelated parts. It assumes the open system perspective which views the complex organization as a set of interdependent parts that together, constitute a whole which; in turn is interdependent with some larger environment. This perspective viewed strategy as an art and conducted in-depth case studies of individual firms, an approach which lacked generality or sought universal law.

The structural contingency theory argues that individual organizations adapt to their environment. Lawrence and Lorsch (1967) in an empirical study coined the term contingency theory which shows that the effects of organizational structure on relative economic performance were dependent upon certain environmental attributes. Hage and Aiken (1970) asserts that the environment is seen as posing requirements to efficiency, innovation or whatever, which the organization must meet to survive and proposer. They noted that each of the main structural contingency theories identifies a contingency factor and delineates which organization structure is needed in order to operate effectively at each level of that factor. Therefore, the structural contingency theory affirms that organizational performance is affected by the fit or misfit between the structure and the contingency.

Finally, the configuration theory regards firms as complex entities, whose success and development depends on the interaction between personal, structural, strategic, and external variables. This approach is a powerful tool in analyzing relationships of several domains simultaneously and building new conceptual models consisting of more than one domain (Harms et al, 2009). Therefore, not only dependencies but also interdependencies can be analyzed. The configurations can either be discovered via typologies, meaning theoretical reasoning, or via taxonomies, meaning qualitative and quantitative methods.

2.3 Concept of Strategy

According to Tourangeau (1981), the word strategy refers to the actions that one plans in order to achieve his/her long-term objectives/ goals/ purpose. Therefore, it is essential to timely develop a strategy while identifying opportunities in the environment and adapting resources and competencies to it (strategic fit), so as to take advantage of such opportunities. Strategy in the context of this study is an optimal march between environmental opportunities like readily available market for sugar, and threats such as sugar import, and organizational strengths like acquired modern equipments, and weaknesses such as lack of skills that can be used to exploit the available resources optimally.

Johnson and Scholes (2008) further stated that 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 to fulfill stakeholders' expectations, while Luffman et al (1996) regard strategy as the pattern of objectives, purpose or goals and major policies, and plan for achieving these goals, stated in such away as to define what business the organization is in or is to be in and the kind of organization it is or is to be in the foreseeable future.

Newman et al (1989) also concur that strategy is the match between an organization's resources and skills, and the environment opportunities and risks it faces, and the purpose it wishes to accomplish. These scholars coincide with their definitions which places strategy as the basic force that addresses issues of growth, diversification and divestment. As stated earlier, the match is the heart of strategic management for it helps an organization to formulate, implement and evaluate strategies in its attempts to prosper. Furthermore, Hax and Majluf (1996) explained that the role of strategy is not viewed as just passively responding to opportunities and threats presented by external environment, but as continuously and actively adapting organizations to meet the demands of a changing environment.

Subsequently, the principal focus in strategy is effectiveness and not efficiency, because strategists could choose what should be done as their concern i.e. "doing the right things", as opposed to "doing things right", which is efficiency. When an organization makes major error in corporate strategy, it will suffer the consequences, possibly risking its own survival (Lynch, 1996). Without a strategy, an organization can make decisions that can have negative impact on future results (Bruce & Longdon, 2000).

On a broader perspective, Thompson and Stickland (2008) termed strategic management as a stream of decisions and actions, which lead to the development of an effective strategy or strategies to help achieve corporate objectives, and include various activities such as determination or formulation, development, implementation, and evaluation of strategy.

Similarly, Drucker (1994) argues that the prime task of strategic management is thinking through the overall mission of a business, setting objectives, developing strategies and then making decisions that will bring the desired results in the future.
Therefore, strategic management is about success, competition, long term plans, growth and competitive advantage. Evidently, many of the concepts and techniques dealing with long-range planning and strategic management have been developed and used successfully by business corporations such as General Electric and the Boston Consulting Group (BCG), both in the USA.

Correspondingly, Wheellen and David (1995) observed that not all organizations use these tools or even attempt to manage strategically, even though many succeed for a while with unstated objectives and intuitive strategies. From his extensive work in this field, Bruce Henderson of the Boston Consulting Group concluded that intuitive strategies cannot be continued successfully if; the corporation becomes large, the layers of management increases, or the environment changes substantially.

Likewise, David (2001) explained that strategic management helps organizations to be more proactive than being reactive in coping with the competitive environment. Historically, the principle benefit of strategic management has been to help organizations formulate better strategies through the use of a more systematic, logical and rational approaches to strategic choice. Strategic management helps improve corporate communication, coordination of individual projects, allocation of resources and short-range planning such as budgeting.

Nonetheless, Jauch and Glueck (1988) noted that strategy development provides clear objectives and directions for the future of an enterprise. Earlier research suggests that the increasing risks of error, costly mistakes and even economic ruin are causing today's professional managers to take strategic management seriously in order to keep their companies competitive in an increasingly volatile environment (Wheelen, 2008). According to Schwenk and Schrader (1993), organizations using strategic management concepts are more profitable and successful than those that do not.

Studies carried out by Ansoff et al in the USA on manufacturing firms established that formal planners who took strategic management approach outperformed non planners in terms of financial criteria that measured sales, assets, sales price, earnings per share and earnings growth

2.4 External Environment

Jones (2004) defined business environment as a set of forces surrounding an organization that have the potential to affect the way it operates and its access to scarce resources. This environment is not static, but is under constant change which affects organizations that operate within it. Therefore, organizations initiate, build and sustain competitiveness through a set of interrelated factors within its environments. Ansoff and McDonnel (1990) argue that business firms are in constant two way interaction with environment.

Firms receive assortment of resources from the environment and after transformation, deliver them back to the environment in the form of goods and services. What is released back can only be consumed by the organization if it fits the environment requirements and needs (Porter, 1997). The external environment forces include; political, economic, social, technological, legal, and ecological (PESTLE) factors.

2.4.1 Political /Legal Factors

Wheelen (2008) asserts that political factors refer to forces that allocate power and provide influences as originating from government decisions. Hiriyappa (2008) contends that legal factors comprise a number of laws that regulates the conduct of a business, while some rules are constraining; others are protecting operations of firms. Some of the political and legal factors include: taxation laws, antitrust laws, deregulation laws, labour laws, pricing policies, foreign trade regulations, liberalization laws, pollution laws, patent rights, government subsidies, and laws on special incentives (Pearce & Robinson, 2011).

2.4.2 Economic Factors

Hiriyappa (2008) states that economic factors concern the nature and direction of the economy within which a business organization operates. Some important variables in the economic segment are: general availability of credit, the level of disposable income, the propensity of people to spend, money supply, currency markets, wage/price controls, inflation rates, interest rates, trade deficit or surplus, budget deficit or surplus, personal saving rates, business saving rates, trends in gross domestic products amongst others.

2.4.3 Social –Cultural Factors

The social and cultural factors that affect a firm are beliefs, preference, norms, traditions, customs, values, attitude, opinions and lifestyles of a people in a firm's external environment, as developed from cultural, ecological, demographic, religious, educational and ethnic conditioning (Pearce & Robinson, 2011). As social attitudes changes so too does the demand of various types of goods (Smith, 2003). Social factors are dynamic with constant change resulting from efforts of individuals to satisfy their desires and needs by controlling and adapting to environment factors.

2.4.4 Technological Factors

Pearce and Robinson (2011) observed that the technological advancement in manufacturing, processing, preservation, and packaging have facilitated product improvement as well as introduction of new products in the market. Technological segment comprises institutions and activities involved with creating new knowledge and translating that knowledge into new output product or services, processes and materials. Equally, technology can generate new markets and innovative goods or significantly lengthen or shorten life of a product or a firm (Pearce, 2011).

2.4.5 Ecological Factors

Pearce and Robinson (2011) refers to the term ecology as the relationships among human beings and other living things and the air, soil and water that support them. Ecological factors concern firms' relation to living and non living things like air, water and land as well as issues relating to pollution, global warming, loss of habitat and biodiversity. Of late firms are increasingly called upon to pay special attention to ecological factors by providing protection to the natural environment through corporate social responsibility.

2.5 Response Strategies to Changes in External Environment

According to Ansoff and McDonnell (1990), strategic responses involve changes in a firm's strategic behaviours to assure success in transforming future environment. On the same breath, Burnes (2004) asserts that the concern in real time responses is to minimize the sum total losses and restore profitability to ensure organization's success in a turbulent and unpredictable environment. This study will focus on how SonySugar Company Limited strategically responds to the environment changes through various adaptation measures proposed by renowned writers of strategic management.

Fundamentally, a company response strategies are concerned with decisions and actions meant to achieve business objectives and purposes. The critical areas of a company strategy which are very important in identifying the responses include: setting of objectives, goals, vision and mission of the company. A response strategy is crucial while considering the firm's competitive strength and weakness vis-à-vis opportunities and threats; which companies establishes a position of competitive advantage (Lowes et al, 1994). A response strategy is therefore environmental driven.

Several scholars including: Pearce and Robinson (2011), Hiriyappa (2008), Barney (2008), Thompson, Strickland and Gamble (2008) among others have described a number of response strategies owing to unique changes arising from external environments. Some of the response strategies are explained below. Low-cost strategy is a business strategy that seeks to establish long-term competitive advantage by emphasizing and perfecting value chain activities that can be achieved at costs substantially below what competitors are able to match on a sustained basis.

Differentiation is a business strategy that seeks to build competitive advantages with its product or service by making it different and unique from other available competitive products based on features, performance or other factors not directly related to cost and price. Speed-based strategy is a business strategy built around functional capabilities and activities that allow a company to meet customer needs directly or indirectly more rapidly than its main rivals. Market focus is a generic strategy that applies a differentiation strategy approach, or a low-cost strategy approach, or a combination, and does so solely in a narrow (or focused) market niche rather than trying to do so across the broader market. National focus strategy is developed by taking advantage of differences in national markets that give a firm an edge over global competitors on a nation by nation basis.

Vertical integration is acquisition of firms that supply inputs such as raw materials or customers for its outputs such as warehouses for finished products. Horizontal integration is growth through acquisition of one or more similar firms (competitors) operating at the same stage of production marketing chain. Conglomerate diversification is acquiring or entering business unrelated to a firm's current technologies, markets, or products. It is about diverting management attention from original business to a more promising venture. Concentric diversification is acquisition of businesses that are related to the acquiring firm in terms of technology, market or product.

Joint venture is where commercial companies are created and operated for the benefit of the co-owners; usually two or more separate companies form the venture. Retrenchment strategy is about cutting back on products, markets, operations because a firm's overall competition and financial situation cannot support commitments needed to sustain or build its operations. Liquidation is a process of closing down operations of a business and selling its assets and operations to pay its debts and distribute any gains to stockholders.

Concentrated growth is an aggressive market penetration where a firm's strong position and favourable market growth allow it to 'control' resource and effort for focused growth. Market development strategy is about selling present products, often with only cosmetic modification to customers in related marketing areas by adding channels of distribution or by changing contents of advertising or promotion. Product development is a substantial modification of existing products or a creation of new but related products that can be marketed to current customers through established channels.

Innovation is a strategy that seeks to reap an initially high profits associated with customer acceptance of a new or greatly improved product. Strategic alliances are partnerships that are distinguished from joint venture because the companies involved do not take in one another.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with research methodology namely: the research design, and data collection mechanisms, as well as data analysis techniques as deemed appropriate in any case study approach to a given phenomenon.

3.2 Research Design

The research project employed a case study research design on SonySugar Company Limited. This involved thorough investigation of the response strategies used by SonySugar Company Limited to adapt to changes in the company's external environment. The exercise aimed at improving understanding of the strategic theories and concepts in regard to this phenomenon.

The design was considered appropriate because it was noted that new strategic responses are emerging due to information influx on a daily basis both from within and without the sugar industry. It was also noted that case studies place more emphasis on a full contextual analysis of fewer elements or conditions and their interrelations, which relies on qualitative data (Cooper & Schindler, 2008)

3.3 Data Collection

The study made use of primary data as well as secondary data. Primary data was collected using self-administered interview guides, while secondary data was collected by use of desk search techniques from published reports and other documents. The interview guide comprised of open ended questions that give the research a qualitative approach. The research appreciates the fact that strategy development takes place at the top i.e. at the board level, while implementation takes place at management/technical level.

The interview guide was designed to obtain information from the management i.e. the heads of relevant departments of SonySugar. The personnel who were interviewed include the head of the department of Corporate Planning & Strategy manager and other staff who are directly involved in drafting of strategic plan at the company. Generally, interview method is preferred by many researchers since it normally yields highest cooperation and lowest refusal rates, by taking advantage of interviewer presence and its multi-method data collection techniques.

The research benefited from secondary data sources which included, different publications, journals, reports, periodicals and information obtained from the internet.

3.4 Data Analysis

The data collected was analyzed using conceptual content analysis, which is the best suited method of analysis for this study. Content analysis was also used in data presentation since the data collected was qualitative in nature. Content analysis was used mostly to arrive at inferences through a systematic and objective identification of the specific messages. Content analysis is defined as a technique of the making inferences by systematically and objectively identifying specific characteristics of messages and using the same to relate to trends. Many scholars agree that this kind of analysis provides the researcher with a qualitative picture of the respondent's concerns, ideas, attitudes and feelings. The data was edited for accuracy, completeness and consistency.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents an analysis of the study findings and also interprets the findings of the study. The chapter addresses the objective of the study which is to determine the response strategies employed by SonySugar Company Limited to adapt to changes in its external environment. The study sought to answer the following question, "what response strategies do SonySugar put in place to adapt to changes emanating from the external environment?"

The researcher obtained the primary data from the head of corporate planning and strategic manager and other officers who are directly involved in drafting of strategic planning documents at the corporation; whereas secondary data was obtained from various publications, journals, periodicals and information available in the internet.

The researcher found out that SonySugar is currently reviewing its strategic plan which embraces a number of response strategies including: diversification, differentiation, outsourcing, optimization, modernization, integration and partnership strategy among others.

4.2 The External Environment

External Environment in the context of this study is an attempt to understand the outside forces of the organizational boundaries that are helping to shape the company. During the field study it was noted that external environment has played significant role in formulation, implementation and controlling of the company strategy. This is because external environment has provided both facilitating and inhibiting influences on the organizational performance over the years.

The interviewees alluded to the fact that the external environment has had a great impact on the company operations since its inception and, more precisely within the last ten years. It is no doubt that SonySugar could be just but one of the state corporations which is affected by political, economic, social, technological, legal & ecological forces. However, the interviewees indicated that there are a number of benefits and opportunities emanating from the external environment. For instance, some of the government actions affect the company positively like continued research in the sugar industry; while some technologies have enhanced productivity; certain weather changes have increased sugarcane production; and some political moves have made great contribution to the company.

4.2.1 Mechanisms of Detecting Changes in the Environment

The study found out that the company has over the years employed specialists and professionals with wealth experiences and technical skills in various fields and are deployed in relevant departments to assist in successful implementation of tactical plans, both short-term and long range strategies of the corporation.

The study found that the company has various mechanisms of detecting changes in the external environment. Firstly, the board members of the company who are working in various government ministries do inform the management of any legislative and regulatory developments in their respective ministries. In order to detect changes, it was discovered that the company directs its resources to education, research, training and technology departments for capacity building with a view to update itself and be abreast with current information on business environment matters.

The study revealed additional mechanisms for detecting changes which include: the use of its sugar distribution channels; communication from the Kenya Sugar Board, now the Sugar Directorate; communication from Agriculture Food and Fisheries Association (AFFA), engagement of legal experts to interpret Acts of Parliament relating to the corporation activities like the Crops Act, the Sugar Bill etc on matters of agribusiness. On climatic changes the company has installed a small weather station inside its compound for monitoring weather changes within its jurisdiction. The company also uses information from national metrological department to detect changes in weather patterns.

The interviewees agreed that in the last ten years the company had experienced a lot of changes which include: climatic changes, legislative changes, economic, social, technological, and many others changes. On legislative matters, there have been a lot of institutional reforms since NARC government took over power in 2002. The agricultural sector and more specifically, the sugar subsector has experienced many legislative reforms which affect state-owned corporations commonly known as Government Investment Companies (GIC). The interviewee alluded to the fact that in the last ten years some rival companies have entered and started operation in the organization's traditional base. This has led to increased sugar poaching in the area. The new entrants include: Transmara, Sukari and Rangwe sugar companies. On the same breadth this entry has resulted into increased competition for cane supply, land, labour, and market for sugar.

4.2.2 Threats from the External Environment

The study revealed a few threats facing the company and industry at large which include: illegal sugar importation; sugar smuggling into the country & sugar cane poaching. Other threats are economic liberalization arising from regional integration, changes in technology, heavy taxation of locally produced sugar, unreliable rainfall accessioned by dwindling weather patterns among other challenges. Due to climatic changes the interviewee established that erratic rainfall pattern is threat to corporation productivity.

The study also found out that the new government policies which require all the state-owned corporations to reinvest and become self sustainable could also be a threat in the short-run. This is because taxation policy on locally produced sugar has increased immensely since 2008. Technological obsoleteness and development could be a threat due to spending on regular upgrade to cope up with modernization of the plant in line with the international technological standards.

It was noted that the Kenya sugar policy & the sugar sub-sector regulatory framework could be posing a big threat to the industry. The interviewees were concerned with changes in the regulatory environment whereby they highlighted that the sugar industry is perceived to be largely over-regularized. The interviewees corroborated that though the Sugar Act 2001, which is meant to address the poor performance of the sugar industry, has a lot of weaknesses and in essence has failed to tackle the real problems of the industry.

The Sugar Act grants the government immense control in the sector particularly in the management structure of state-owned companies. The primary stakeholders who include, the farmers and the farmers' representatives via their associations do not have sufficient control rather the Kenya Sugar Board, now the Sugar Directorate is the key institutions of the industry.

The interviewees alluded to the fact that economic liberation and global trade de-regulation present challenges to the operations of SonySugar Company. Multi-lateral and regional trade treaties, specifically those associated with COMESA, EAC and WTO, have facilitated the importation of sugar into Kenya at minimal or zero tariffs from producer member states affecting production of sugar at SonySugar and other local factories. In addition, the sugar imported is in most cases heavily subsidized by its source government.

This negative development has had an adverse impact on the marketability of locality produced sugar, which because of high production cost relative to imported sugar, cannot compete head to head with foreign sugar in both domestic and foreign markets.

Local supermarkets have brought another level of competition where they are now packaging sugar in their own brand and selling it at cheaper prices. For example we have Naivas, Ukwala, Uchumi and Turkey's sugar brands among others which retails at cheaper prices than SonySugar.

The research revealed another threat of decrease of input materials. The interviewee noted the threat of inadequate supply of raw materials. The interviewee agreed that this has tempered with company level of efficiency which has dwindled due to the rising costs of farm inputs (fertilizer, tools, cane, labour etc). They also noted that lack of access to credit facilities has contributed largely to poor cane husbandry and a decrease in the yield of cane suitable for crushing. Cane production is hampered further by the exorbitant cost of transport and poor communication infrastructure. Late cane harvest, low cane prizes and delayed payments to farmers for cane delivered has proved a major disincentive for cane farmers, who are increasingly turning to other crops to sustain their livelihoods.

4.3 Response Strategies Employed by SonySugar

The study found out that SonySugar has adopted several response strategies to align itself with the changing environment. The interviewee indicated that the company has implemented several response strategies in the past few years in order to achieve its goals and objectives as outlined in its vision and mission statements. The interviewee accepted that management is well aware of the fact that the business environment is increasingly changing. The interviewee also alluded to the fact that to compete successfully in such a sugar industry new responses strategies are required, some of which new entrants may not be aware of.

Considering the fact that strategic responses are concerned with decisions and actions meant to achieve the organization goals both in the short-term and long range ; the interviewees concurred with the fact that the company mission statement, the vision, goals and objectives were critical when the responses strategies were being identified. Therefore, a response strategies adopted by SonySugar are both institutionally and environmentally driven.

4.3.1 Partnership Strategy

Naagarazan (2009) assets that partnering is a long term commitment between organizations for the purpose of achieving specific business goals and objectives, by maximizing the effectiveness of each of their resources. The benefits of partnering are improved quality, increased efficiency, lower cost; increased opportunity for innovation and continual improvement of products and services. The research revealed that cane farmers through their associations are the key business partners in the raw material supply chain, a programme dubbed suppliers partnership.

Through this partnership the company is actively involved in supply of seed cane, provision of fertilizers, herbicides & filter press and harvesting services to the out-grower sugarcane farmers. To complement farmers' effort in sugar cane production and to ensure adequate supply of milling cane, the company offers additional services to the farmers which include: extension services i.e. the company has a pool of highly skilled technical personnel offering field extension services to all partner farmers.

Still on area of partnership with farmers, the company participates on out-grower land developments, which includes assisting farmers to survey, plough, harrow and furrow their farm plots. In the areas of training and capacity building, the company trains and provides both technical & professional advisory services on sugar cane disease control, land use management, new variety adaptation, integrated farming, conservation agriculture and soil & water conservation among others.

The interviewee asserted that partnership with cane suppliers has provided the much needed loyalty; capital and support that has bridged the hurdles that otherwise could have been insurmountable given the entry of new rival companies within the SonySugar territory. The interviewee stated that the company also partners with local technical and agricultural research institutions to produce and supply quality seed cane that guarantee quality yield. SonySugar partners with Kenya Sugar Research Foundation (KESREF) for production of hydride seed cane varieties.

Last but not the least, the company partners with financial institutions like the National Bank of Kenya to avail concessionary assistance to farmers for cane development.

4.3.2 Modernization Strategy

According to Hiriyappa (2008), modernization strategy refers to innovation of the new technology which are adopted in an organization by removing the outdated old plant, machinery and equipment, products, process and technologies. It is meant to cope up with very fast changing technological advancement, when modernization of machinery, tools, equipments and plant seems to be more important for best productivity at minimum cost, time, and energy. The interviewee indicated that SonySugar implements modernization strategy whereby the company initiated the "enterprise resource planning" (ERP) system dubbed, "Mwangaza 2013". The "Mwangaza 2013" is a digitally enhanced system that aimed at improving efficiency, effectiveness and the quality of the company's overall functional processes and services to both the internal and external customers.

The interviewee stated that the company also launched SonySugar Agricultural Management System 2013 (AMS), which is a digitally enhanced system that shall assist in streamlining all agricultural fields of operations from farm level activities to the final farmer and contractor payment points. The objective of the initiative was to improve the level of service delivery to all stakeholders. The interviewee believed that this system would enhance transparency, and promote effective communication between SonySugar and farmers.

The research noted that AMS would further aid the company and farmers in generating a calendar of field activities from planting to harvesting. An exercise believed would enhance timely execution of field operations namely; planting, weeding, fertilizer application and harvesting. The interviewees believe that Mwangaza 2013 will generate real time information whenever cane is transported and weighed at the automated weighbridge. In essence, it is assumed that there will be instant feedback to the farmers on their cane position on request at every stage of the farming process. The study also found out that digitalization has begun to eliminate errors of payments in the company accounts department.

4.3.3 Optimization Strategy

The study established that SonySugar is currently practicing optimization strategy. The interviewee stated that the company is strategically increasing optimization of the existing capacity to 3000 tad. The company plans to do this by securing more cane supply in addition to strengthening the plant to operate optimally to its full capacity. The interviewee noted that the company is on course towards improving efficiency through business re-engineering process.

4.3.4 Differentiation Strategy

The interviewees were in agreement that the company had successfully introduced differentiation strategy on its main brand. SonySugar is currently producing a unique granular sugar made from clean, fresh and mature cane. On its key brands, SonySugar offers two main choices to its esteemed customers i.e. (a) the irresistible SonySugar White with an appetizing aroma is tastefully packed and stands out on the shelves of major supermarkets; and (b) SonySugar Brown which has an added nutritional value as a result of minerals derived from residual molasses content.

Therefore, the company undertook differentiation strategy by improving on its product quality, redesigning, rebranding and repackaging the company products, and expanding on the product range of offerings; improving on product outlook & packaging and content quality to increase its competitive edge.

4.3.5 Outsourcing Strategy

Bendor (1999) defines outsourcing as the process of transferring of a specific business function from an employee group. Therefore, outsourcing is a management strategy where non core functions are transferred to specialist, an efficient external provider. In our context, strategic outsourcing focuses on business improvement and competitive advantage as well as cost cutting. It is a business strategy that is gaining more ground with the increased globalization and emergence of third party providers who are highly specialized.

SonySugar is outsourcing the following services to other firms; security of company premises, estate maintenance, general cleanliness of the company compound, garbage collection, cane harvesting & transportation and certain consultancy services on legal matters. The interviewee noted that outsourcing of transport has made it better and cheaper, and presenting extra value, time, energy, space and more gain than it were initially organized.

4.3.6 Market & Product Development Strategy

The interviewee cited market development strategies as some of the key activities the company has embarked on in the last few years. The company has opened up an office in Nairobi housing several sales representatives who are meant to coordinate distribution outlets and customer service centers countrywide by offering promotion and advertisement services to customers. The company is also in the process of signing contracts with all major super markets across the country to increase its volume of sales.

The interviewee reiterated that the company in its market development strategy, it is believed that establishment of distribution channels would facilitate faster and timely distribution of the final products through enlisting and registration of more distributers. Through its distribution channels, the company ensures that there is no sonysugar shortage to esteemed customers, sonysugar is sold at the recommended retail price and storage facilities are within recommended levels and standards. This leverages the company's strategy of competing in terms of price, time and product quality.

As part of its market and product development strategy SonySugar launched a more extensive brand which was complemented by park redesign and a print, radio & TV campaign followed in 2001, while on July 2004, a six gram sachet was launched, targeting the hospitability, airline and health institutions.

4.3.7 Backward Integration and Diversification Strategy

Backward integration is form of vertical integration that involves the purchase or control of suppliers. The interviewee argued that the company partners with farmers and cane suppliers with a view to control the cane supply and cost of raw materials and equally has more control over the delivery schedules of the raw materials.

Diversification is diverting management attention from original business to a more promising venture. The interviewee said that company plans to diversify into electricity generation and ethanol production. As a by-product of its operations molasses and bagasse are produced. The molasses is a farm input for dairy farmers. SonySugar would package this product and sell it as animal feed. The bagasse is combusted to produce steam in boilers. This steam is used for running turbines which in turn produces power. The power would be consequently partly used within the company and partly sold to the national grid.

It was reported that the company is also about to launch an ethanol processing plant. The ethanol is produced by fermenting the starchy by product of its core operations and sold to crude oil processing companies as crude oil supplement. The interviewees reported that the company in its premeditated plan is scheduling to manufacture alcohol and sweets out of molasses, while ethanol shall be used to make whisky. Through these three products (ethanol, molasses and electricity), SonySugar aims to not only provide additional income but also reduce waste, and divest the company's risk portfolio.

4.3.8 Bench Marking Strategy

Naagarazan and Arivalagar (2009) defined bench marking as a systematic and continual measurement process, comparing the performance of one's organization process against competitors or business leaders available anywhere in the world to gain information, which in turn help the organization to improve its performance. The purpose of bench marking is to help improve products, processes and service delivery to meet the customer needs. SonySugar bench marking strategy concentrates on replicating best practices. The company has been able to create link with progressive sugar companies in India, South Africa and Kenana Sugar Company in Sudan to ensure exchange of best practices and maintenance of international standards.

4.3.9 Total Quality Management

Hiriyappa (2008) stated that total quality management (TQM) focuses on improving entire quality of company's products and services and stressed that it encompasses all company operations which should be oriented toward this goal. TQM concept is based on improved quality results meant to decrease overall costs due to less rework, fewer mistakes, fewer delays, and better use of time and materials. The interviewee confirmed that SonySugar is ISO certified and is implementing TQM right from seedling production, going through the sugarcane plantations & sugar processing plant to its distribution channels, and finally to the points of sale.

4.3.10 National Focus Strategy

Hiriyappa (2008) argued that national focus strategy is developed by taking advantage of differences in national markets that gives the firm an edge over global competitors on a nation by nation basis. SonySugar on its national focus strategy has partitioned the county into regions e.g. Mt. Kenya, South Rift, Nyanza and Rift Valley regions for ease of sales, marketing, promotions and advertisements. Each regional head ensure that the company products are reaching the esteemed customers in time, in required quantity and in good condition all over the country.

4.4 Implementing Response Strategies

Asked whether response strategies are working for the company, the answer was to a greater extent since some of the strategies were just developed the other day and one could not be able to meaningfully evaluate them within a short span of time. Nonetheless, it was noted that due to strategic developments the company's product quality has really improved, and the redesigning & rebranding has given birth to good quality products particularly on packaging.

The interviewee said that the amount of resources the company has devoted to strategic moves is not adequate since the resources are always scarce. However, reports from the corporate department demonstrated that reasonable amount of resources have been allocated to the department of corporate planning and strategic management. This department has also given adequate portions of the resources to strategic initiatives.

According to an interviewee the company should put in place the following requirements in order effectively respond to environmental changes: effective research and development initiatives; capacity building for the entrenchment of learning and growth; knowledge management and sharing of skills and experiences; and effective enterprise risk management scheme. The study noted that the company has been able to amend its strategy implementation process to adapt to a balanced score card approach.

On the overall, the company has not successfully adapted to some changes in the external environment because the company is still in the process of strategy review and subsequent implementation and with adequate time, space and resources the interviewees believed the proposed response strategies would be fully implemented. The interviewee attributed the main challenge of strategy implementation to lack adequate of resources.

4.5 Discussion of the Results

The head of corporate planning underscored the significance of adoption of new response strategies by SonySugar which have enabled the organization to remain feasible, vibrant and stable in the past years while meeting its core mandate. The results of this study are in support of the theories advanced by renown authors of strategic management i.e. Pearce and Robinson (2011), Mintzberg (2003), Porter (2004), Hiriyappa (2008), Barney (2008) and Thompson et al (2008) suggestion that other than managing the internal activities, the modern executives must also respond to the challenges posed by the firms immediate and remote environments.

It is evident from this study that SonySugar had to respond to the changes in the external environment by crafting response mechanisms to be able to create a sustainable competitive advantage in the long range. This study also supports the argument by Barney and Hesterly (2008) that any analysis of threats and opportunities facing a business firm must begin with the understanding of the general environment within which the firm is operating. This general environment consists of broad trends in the context within which the firm operates that have an impact on the firm's strategic choices in the long run. The general environment consists of several interrelated elements which include: technological changes, demographic trends, natural weather patterns, the economic climate, legal and political conditions and specific international events.

This study is also in line with the argument advanced by Ansoff and McDonnell (1990) that a firm's performance is optimized when the aggressiveness of its strategic behavior matches environmental turbulence. The second condition advanced by the same authors being the responsiveness of the firm's capability matches the aggressiveness of its strategy. Finally, the same authors noted that the components of the firm's capability should support each other. It is evident from the study that the response strategies developed by the company are reinforcing its vision, mission, goals, objectives and mandate as outlined in its mission statement.

This study revealed that SonySugar had a mechanism to detect changes in the external environment with a force that is dependent on the strength of the change and its own capabilities. This study also supports the argument by Hint et al (2001) that sustainable competitive advantage is achieved when a firm implements a value creating strategy that is grounded in their own unique resources, capabilities and core competencies. This unique resources and capabilities of a firm's internal environment are critical link to strategic competitiveness.

Hint et al (2001) further argued that firms achieve strategic competitiveness and earn above average returns when unique competencies are averaged effectively to take advantage of the available opportunities in the external environment. The results of this study can easily be compared with similar studies previously done to establish the response strategies used by different organizations to adapt to changes emanating from the external environment. These studies include: Mogeni (2008) conducted research on responses by Kisii Bottlers to competition; while Mohamed (2007) researched on responses of Nzoia Sugar Company to challenges in its external environment. Similarly, Khadijah (2011) conducted a study on competitive strategies employed by Mumias Sugar Company to develop competitive advantage; whereas Okoth (2005) researched on competitive strategies by sugar manufacturing firms,

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study, conclusions, limitations, suggestions for further research and recommendations. It provides deductions which are the main threats in the operating environment facing the company. It goes further, based on findings, to deduce the response strategies used by the company to counter changes which pose threats to the company in order to remain competitive, profitable and sustainable in the long run.

The chapter discusses the implications of the findings to the theory and practice of strategic management. The conclusions and recommendations were drawn in quest of addressing the research question in order to achieve the objective of the study.

5.2 Summary

The goal of this research was to find out the response strategies adapted by SonySugar to address changes in its external environment. The following are the summaries on the findings based on the objective that guided the study. The results are also cross referenced with the findings of other scholars in related studies that have got a supportive element of the current study. The study found that environment in the sugar industry and around the SonySugar in particular is experiencing continuous changes. The changes in the company external environment consist of several but interrelated elements which include: technological changes, social changes, natural weather patterns, the economic climate, legal and political conditions and specific international events among others. Accompanying the changes is threatening challenges and useful opportunities.

The study disclosed the following threats; change of climate and weather pattern giving rise to uneven rainfall, increased competition in the sugar industry, legislation which creates liberalization that enhances sugar importation and increasing competition, the entry of new rivals within the company vicinity, technological obsoleteness, change of leadership, and etc. The research noted that the company has a mechanism for detecting changes within its environment, and the company has elaborate way of dealing with threats from the external environment that affects its operation.

It was noted that when responding to the changes in the environment the company did a thorough analysis of the general environment to help ensure that they have fully addressed the current and future changes in the business environment. It was noted during the research that strategic assessment required a profound understanding of both external business environment and of internal resources, managerial capabilities and organizational culture. The study confirmed that the purpose of the external environment analysis as away to understand what may affect the future of the organization as a whole from outside itself.

When scanning environmental forces different organizations use different tools for analysis. One of them is PESTLE Analysis (standing for political, economic, social, technological, legal and ecological factors). The underlying thinking of the PESTLE analysis is that the enterprise has to react to changes in its external environment (MacMillan & Tampoe, 2000). The political changes experienced by management which affect the company include; legislations, taxation policies & government actions.

Economic changes included changes in commodity price, economic effects on suppliers and customers. Social changes included changing cultures and demographic patterns as well as changes in consumer tastes, preferences and habits. Technological changes covered technological obsoleteness and advancements in line with the effects of technical and scientific change on products, processes, packaging and communication gadgets.

Similarly, the study agreed with Professor Michael Porter Industry analysis. Porter argues that the industry structure matters more than the firm's capabilities. Clegg et al (2011) on the other hand asserts that the environment determines success, not the resources controlled. The study referred to the Porter's five forces on matters relating to industry changes and subsequent analysis. Of the Porter's five forces the most eminent ones in SonySugar are: entry of new rival companies, the power of sugar cane suppliers, the power of buyer supermarkets, while the rest are threat of sugar substitutes and competition both from local and imported sugar.

During the field study, it was noted that SonySugar Company employs the following response strategies which include but not limited to: differentiation, partnership, modernization, optimization, backward integration & diversification, bench marking, market & product development, outsourcing, total quality management and national focus strategies.

The interviewee noted that the adoption of the response strategies to the changes in the company's external environment are significant to SonySugar Company as they have helped in improvement of the company's productivity, corporate visibility, brand image, brand loyalty, capability, competency and quality of services to the esteemed customers.

5.3 Conclusion

The research concludes that business environment comprise complex interaction of the economic system, political system, legal restraints, society, industry, technology, shareholder demands and natural environment conditionings. The study objective sought to determine the response strategies used by SonySugar adapt to these changes in the external environment. The research further concludes that changes are inevitable in any business environment; and severe changes normally affect organizational ability to compete successfully. The study wind up by stating the need to embrace new strategic responses as the environment constantly changes around the business enterprise.

Although the world literature reviews are not exactly relevant to the SonySugar situation, they go to show that almost every company has a plan for response to changes in the external environment. They also go to show that most of these changes are caused by political, economic, social, technological, legal and ecological systems around an organization as well as the organizational structure itself. The policy framework in many companies could be relevant to the activities they undertake, but the implementation of intended strategies; just like in SonySugar Company should be a corporate affair.

Management response to the changes emanating from external environment is critical for organizational development and future success. It was noted that environment brings with it both threats and opportunity. The study conform with Thompson et al (2008) who outlined that many companies operate in industries characterized by rapid technological changes, short product life cycles, the entry of potential new rivals, lots of competitive maneuvering by rivals, and fast evolving customer requirements and expectations. All these circumstances are occurring in a manner that creates commotion in market conditions. The conditions which need appropriate responses.

Finally, considering the outcome of this research and comparing it with other studies conducted elsewhere in the local sugar subsector, both on company by company basis or on the entire local sugar industry, and putting in to account the comments made by the professionals and intellectuals, including executives in the sugar sub-sector and trainers on relevant matters pertaining to local sugar production, the study concludes that the key threat in the local sugar subsector include; poor policy, poor regulatory framework and liberalization among other critical challenges. This is because imported sugar is killing the local brands regardless of how many innovative response strategies are put in place. Therefore, even though other factors i.e. (economic, social, technological & ecological) forces have impact on local sugar production; the political/legal factors are the most eminent forces which threaten the local sugar industry.

5.4 Limitations of the Study

The study faced financial limitations. Due to limited resources, the study could not be carried out on other entities the company is partnering with. Therefore, the study from the onset was tailored to conduct the interview at the company offices because this is where strategies are drafted and implemented. The study also suffered limitation of time. The duration that the study was to be conducted was limited hence exhaustive and comprehensive research could not be carried out.

The study employed interview method which is highly qualitative and based upon the opinions and attitudes of the respondents. This in effect meant that the responses provided may be mere opinions of the respondents and not necessarily the situation on the ground. Strategic management is a highly dynamic activity dictated by the ever changing factors in both business internal and external strategic environments.

However, this study only addresses the specific point in time when the interview was conducted. This therefore limits the extent to which the results can be applied elsewhere or at different points in time.

5.5 Recommendations for Policy and Practice

In line with the study objective the researcher recommends the need to develop a protective policy within the sugar industry to enhance the growth and development of the local brands. Firstly, a policy restricting sugar importation is long overdue, considering porous borders. Secondly, the national sugar taxation policy should be revised in favour of local industry. The sugar policy should also address intra industry sugar cane poaching. Thirdly, the GoK need to invest more in agricultural research and more specifically sugar research if the country wants to do away completely with sugar importation.

The sugar policy and the company strategic plans in the sugar subsector should be done in consultation with all stakeholders. The engagement and inclusion of the ideas, views and opinions of cane farmers and famers' representatives in the policy development process may reveal the challenges affecting the organizations and the sector at large.

Equally, the company needs to engage in a more radical marketing, promotion and advertisement activities by engaging in marketing diversification strategy aimed at retaining traditional distribution channels and exploring new buyers. The company needs to consider the following strategic measures in future: expansion strategy, low-cost strategy, strategic alliance, R&D strategy and innovation strategy among other progressive strategies.

The company should consider horizontal strategy in line with the fact that new entrants may be taken up to expand the business geographically. By taking up these competitors the company would benefit from the economies of scale and increase cane supply and improve business volume.

The company should also consider business process re-engineering for more efficiency and profit maximization. Through bench marking the company should develop a tailor-made and a more comprehensive environmental scanning tools.

5.6 Suggestions for Further Research

Due to rapid technological changes, the researcher proposes the need to research on the adoption of new technologies in the sugar industry to cope up with global standards. Further research should examine the impact of sugar policy on the performance of sugar industry in Kenya.

The study recommends research on challenges facing the implementation of various strategies in the company. The company should also conduct environmental scanning basically by using both SWOT and PESTLE analysis in order to unearth the underlying obstacles facing the institution which makes it unable to practice expansion strategy which is assumed by this study to be a feasible strategy.

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APPENDICES

Appendix I: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE: 02.09.14

TO WHOM IT MAY CONCERN

The bearer of this letter LUKE ODOYO AKECH

Registration No. D61-8989-2005

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

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
02 SEP 2014
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Interview Guide

Section A: Demographic Questions

1) Position held in the company……
2) Department…….
3) What is your highest level of education…..?
4) What is your duration of work in the organization...…?

Section B: The External Environment

5) What mechanism has SonySugar Company Limited put in place to detect changes in the environment?
6) In your opinion what are the major changes in the last 10 years.
7) Is the external environment posing threats to your company? If yes what are these threats.
8) What are the external factors affecting the operation of your company with regard to political, economic, social, technological and ecological forces?

Section C: Response Strategies to External Environmental Changes

9) What strategies has the company developed in response to changes in the external environment, if any, with regard to political, economic, social, technological and ecological forces?
10) In your opinion, are the response strategies to external environment working, if any? If yes, please give reasons for the answer above.
11) Do you think the amount of resources the company has devoted to strategic responses is adequate?
12) Is the company considering change of strategies and if yes, give reasons.
13) What requirements should the company put in place for effective response to environmental changes?
14) How has the company been able to amend its strategy implementation process to adapt to the new changes explained in (7) above?
15) On the overall, do you think the company has successfully adapted to the changes in the external environment? How? Explain?