EFFECTS OF STRATEGIC RESPONSES ADOPTED BY BASF EAST AFRICA LIMITED ON MARKET COMPETITIVENESS

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DECLARATION

I declare that this project is my original work and has not been submitted for examination in any other university.

Signed ………………………………… Date…………………………………

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D61/70118/2007

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

Signed …………………………………… Date…………………………………

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DEDICATION

I wish to dedicate this project to my family and friends for their support and encouragement in my academic journey.

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First and foremost, I am thankful to God for the blessings He has shown me throughout my entire study period.

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ABSTRACT

Dynamic environment changes impact on organizations goals and objectives and this makes it difficult for organizations to remain viable. To be able therefore to stay ahead of competition, it is imperative for the organizations to continually scan the environment so that the organizations adjust their strategic responses to address the demands of the environment. The appropriate response strategies guarantee a competitive edge that ensures the organizations remain relevant. The study was set to establish the effects of strategic responses adapted by BASF East Africa Limited to increased competitive conditions in the market with the changes in the agrichemical industry. The study adopted a case study design. Primary data obtained was qualitative and was collected by the use of interview guides which was administered to the correspondents face to face. The interview respondents were the regional manager for East Africa, marketing manager and the country managers for Kenya, Uganda and Tanzania. Data collected was analyzed by way of content analysis. The major findings of the study were that strategic responses which are well developed and appropriately adopted are powerful tools. It is evident that BASF East Africa Limited has responded to the challenges arising from the competitive conditions in the market. BASF East Africa Limited needs to be more diligent in environment scanning and be proactive in formulating strategies that meet and preempt any anticipated adverse changes spinning out of its operating environment. Dynamic environment changes impact on organizations goals and objectives and this makes it difficult for organizations to remain viable. To be able therefore to stay ahead of competition, it's imperative for the organizations to continually scan the environment so that the organizations adjust their strategic responses to accommodate the demands of the environment. The study recommended that in order to stay ahead of competition, commercial banks should continuously scan the environment aggressively and speed up implementation of various strategies. The study similarly did not consider the process of implementing the strategic responses adopted by the organization as a whole but focused on strategic responses adopted by the organization in increasing competitive conditions in the market. This is a limitation since it ought to have considered the strategy responses process as a whole. That is, from strategic objectives setting, planning, analysis and choice, implementation and evaluation. Thirdly, the study did not consider the role of regulation and policy framework in the manufacturing industry in increasing competitive conditions in the industry hence serving as a limitation. A study can be carried out to establish whether strategic responses in the manufacturing firms in Kenya are similar. This will give an indication of responses made by the manufacturing firms in Kenya to their changing competitive situation and hence allow industry generalizations to be made. These generalizations can be used as assumptions by prospective new market entrants and other scholars. The researcher suggests that a similar study can be conducted to establish strategic responses in other industries or sectors to have a comparison of results and also establish the different strategic responses that are adopted by other industries.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

In order to survive in a competitive environment, organizations have to pay attention to the environment and match their activities to the environmental conditions. For organizations to be effective and hence successful, they should respond appropriately to changes that occur in their respective environment that lead to increased competition. These are also known as strategic responses. Any firm that does not take actions to align itself with the environment cannot survive in the environment and is soon forced out of the market. In order to ensure continued success strategic responses are important to align a company to the environment it operates in, this is regardless of current success of the company. According to Hunger and Wheelen (2000), there are various theories that explain why organizations need to adopt strategic responses to obtain fit in their environment. If unable to adopt strategies and respond, the organization will be replaced by others more suited to the new environment.

Institutional theory dictates that, in order to survive, organizations must conform to the rules and belief systems prevailing in the environment, because institutional isomorphism, both structural and procedural, will earn the organization legitimacy (Scott, 1995). The theory proposes that organizations can adapt to changing conditions by imitating other successful organizations. Mullins (1999) shows that the resource based theory on the other hand stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly to imitate. For positive effects of strategic response adoption organizations have to conform to the changing environment.

Agriculture's role in energy independence, generational transformation and growing environmental and social concerns has created a heightened sense of urgency across the agrichemical industry to leverage them into meaningful go-to-market opportunities. BASF is active in each of the agrichemical main areas and for all the major crops. One of the methods currently being adopted for more food production is the use of agrichemicals, which has led to an increase in the discovery of new molecules (Farm Chemicals International, 2013).

The world agrichemical market is predicted to reach $223 billion in 2015, according to industry research by (Novartis, 1999). With the agrichemical business having good returns there has been an increase in the number of companies producing agricultural chemicals worldwide leading to heightened market competition. Market drivers include growing population, declining availability of arable land, and agrichemical use in biofuel production. With the ever increasing competition, companies have had to respond strategically to be able to survive in the market.

1.1.1 Strategic Responses to Competitive Conditions

Business strategy is a key issue for every major organization. Traditionally, formal strategic planning is conducted by establishing a vision and objectives, and then a high-level course of action to achieve these objectives. Porter (1980-1985), probably one of the most influential thinkers on strategy, focuses on industrial dynamics and the sources of competitive advantage. A critical assumption is that competitive advantage is determined by industry dynamics and the organizations must position products in selected markets to gain advantage.

Organizations need processes to support their current products and services in the market place. These processes relate directly to an organizations current basis of competition. These processes are called competitive processes. So, if one is competing on speed to market new products, the competitive processes would relate to this focus. If providing a prompt turnaround to customer orders, then the competitive processes would be the processes that cause this to happen. If you are low cost producers, your competitive processes will contribute to this stance and hence the processes which you decide to concentrate on will be of significantly lower cost than those of the competitors. Choice has to be made and the chosen processes are classified competitive processes. These processes enable the firm to enjoy “super-normal” profits (Edwards and Peppard, 1994).

With the growth of the agrichemical industry and with new entrants in the market, there was a need to re-think the approach and strategy to deal with competition. According to Brown and Eisenhardt (1997), increasing environmental instability and uncertainty are forcing companies to change continuously. In this regard it is only logical that companies are able to respond predictively to surrounding conditions while being able to adjust their purpose and shape to meet market and other environmental characteristics. The responses are expected to bring about positive changes to the companies that adopt them. In the planning processes within BASF, there has been no real separation of environmental, biodiversity, and sustainability discourse from other aspects of strategic and operational planning. Such issues are seen as an integral component of the business planning process and it is assumed that incorporating them into business planning which was going to be essential to the future commercial success of the company; BASF had to find a way of turning these publicly demanded goods to its commercial advantage.

1.1.2 Agrichemical Industry in East Africa

Agriculture is the backbone of East Africa's economy since it contributes about 30 percent of the Gross Domestic Product (GDP). Agrichemicals marketed in the region include insecticides, fungicides, herbicides, plant growth regulators, nematicides and miticides.The agrichemical industry in East Africa is characterized by a number of firms, both original agrichemical manufacturers who produce and patent original chemicals as well as generic companies who rely on manufacture of products that have run out of patent. According to the Fertilizer and Agrichemicals article of the ministry of tourism, trade and industry in Kenya (1999), the firms usually import active ingredients, formulate, sell and repack them. Some firms also import finished and packed products for retail purposes.

In order to produce good quality products, crops must be protected against pests and diseases. Agrichemical imports have been increasing. There are about twenty (20) firms manufacturing and/or selling various agrichemical products in the region. Most of them import already formulated products which are repacked and sold. Others import active ingredients and other semi-finished products which are formulated locally, packed and sold. Most of the firms are also exporting to the Common Market for Eastern and Southern Africa (COMESA) region. The majority of the agrichemical companies are generics with subsidiaries locally. The research companies are mainly six with BASF East Africa Limited among them while the generic companies are over twelve. The companies are more or less competing in the same market for the same crops.

1.1.3 BASF East Africa Limited

BASF is the world's leading chemical company. With about 113,292 employees, six Verbund sites and 353 production sites worldwide BASF serves customers and partners in almost all countries of the world (https://www.basf.com/en/company/about-us.html). In 2014, BASF posted sales of €74,326 billion and income before special items of approximately €7.6 million. BASF combines economic success, social responsibility and environmental protection. BASF has offices in over 80 countries in different parts of the world. This study will mainly concentrate on the Crop Protection division in East Africa, that is, BASF East Africa Limited. The East Africa office is based in Nairobi with a branch in Ethiopia and was among the first in a series of new offices in Africa, as part of plans to triple sales on the continent within the next four years.

The growth plans are based on a two-pronged strategy that centers on offering technical support and expertise to farmers and other agricultural professionals locally. The office serves 6 of the Eastern Africa countries offering both sales and technical support and reports directly to the BASF headquarters in Germany for both strategies and technical support needed. According to the Director Business Management Crop Protection Africa and Middle East, Gabor Mehn “In Africa, there are some professional growers with large operations and state-of-the art agronomic expertise as well as many small and mid-sized farmers working hard to move beyond subsistence farming,” He goes ahead to say, “We need to work locally to serve both of these groups with tailored products and agronomic services. That’s why we are building up local sales teams that can offer agronomic support tailored to their markets.” Although Africa has twice the agricultural area as Europe, it is farming 80 million hectares less than its neighbor to the North, according to Food and Agriculture Organization (FAO) statistics (www.fao.org, January 2015).

Large, export-oriented farming operations will profit from BASF’s portfolio of modern products as well as its global network of experts who understand the requirements of authorities and consumers in foreign markets. Smallholder farmers looking to sell part of their surplus harvests, on the other hand, are eager to improve their farming practices and adopt modern technologies. To support these growers, BASF will provide agronomic advice and services as well as safe use training. “By putting growers and their needs at the center of all our activities, we will be able to grow with our customers in Africa,” says Gabor Mehn on the occasion of the office opening in Kenya.

In East Africa, BASF will focus on key vegetable crops such as green beans, tomatoes and green peas as well as ornamentals and cereals. As part of its growth strategy for Africa, the company plans to extend and enhance its services to additional countries and farmers across important crops such as cocoa, cotton, sugarcane, maize, specialty crops, sunflowers, coffee and rice. The East African team is expected to position the company for a share in the current market.

1.2 Research Problem

Organizations have to be able to respond effectively to challenges, both problems and opportunities as they arise (Waverman, 2001). Today's organizations have to deal with dynamic and uncertain competitive conditions in the market. In order to be successful, organizations must be strategically aware. They must understand how changes in their competitive environment are unfolding. They should actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business, building on awareness and understanding of current strategies and successes. Organizations must be able to act quickly in response to opportunities and barriers.

There has been a growing concern about the increasing competitiveness in the agrichemical industry in East Africa and the world at large. The agrichemical industry has undergone rapid changes in terms of competition and what the market demands. The strategies applied by the players in the agrichemical industry are more or less similar in most countries with minor variations that could be country specific. All organizations serve the environment (Ansoff, 1984 and Sullivan 1993). They depend on the external environment for their survival hence they have to understand requirements of this environment and adapt to them. Increased competition could mean a reduction in market share. To increase market share in the competitive environment a company will have to adopt strategic responses.

BASF warned that its full-year earnings target had become "significantly more challenging to achieve" because of the market volatility and demand for chemicals. According to a quarterly report (June 2013) BASF the world's biggest chemical company, posted profit that missed analyst estimates and the firms CEO stated that the annual targets looks more difficult than at the start of the year amid pressure on prices and market competition. The market share of large players depends primarily on product portfolio and introduction of new molecules. Strategic alliances with competitors are common to reduce risks and serve a wider customer base.

There have been studies done on competitive responses adopted by certain companies in the past. Gathoga (2001), studied on competitive strategies by commercial banks in Kenya, Kiptugen (2003) established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change, while Atheru (2007) found out that Kenya Meteorological Department did not have adequate capacity to respond to the needs of their customers. Ngetich (2010) focused on the strategic responses to competitive environmental conditions in the beverage industry in Kenya: a case study of Nestle (K) Ltd.

A study done on East African Breweries Limited identified that some of the strategic responses it adopted included market development, product development and modification, vertical integration, information systems change, innovation, product differentiation, outsourcing, shared services centre, culture and structure changes, aggressive marketing campaigns and corporate social responsibility which were consistent with Pearce and Robinson's (1991) grand strategies (http://business.uonbi.ac.ke/node/1588). Omondi (2003) Case study on savings and loans (Kenya Limited) on "responses of mortgage companies in Kenya to threats of new entrants" and found out that savings and loans responded to competition by restructuring, marketing, adopting ICT and cultural changes. Okoth (2003) studied "competitive strategies for sugar sector". Muthangya (2007) noted that "Safaricom response to competition with a focus on its voice business".

There has not been a specific study focusing on the agrichemical industry on the strategic competitive measures. The strategies that might work for other industries might not work for BASF due to the environmental and organizational factors. This motivated the researcher to look into the effects of strategic responses adopted by BASF East Africa to overcome the competitive environment and meet the firm's annual target.

This study seeks to fill the literature gap in agrichemical industries on the various strategic responses that can be applied on market competitiveness and what effect they have on increased performance. What are the effects of the strategic responses adopted by BASF East Africa Limited on market competitiveness?

1.3 Research Objective

To establish the effects of strategic responses adopted by BASF East Africa Limited on market competitiveness.

1.4 Value of the Study

The findings of the study will provide BASF East Africa Limited with valuable knowledge on policy formulation for market adaptability and competition which will help the firm to improve on the sales in East Africa. This knowledge can then be duplicated to other countries in Africa with similar market challenges.

For scholars the study findings will give an insight into response strategies that are adopted in industries that have forces from both multinationals and local companies fighting for the same market. This will provide some insight into the positive effects gained when strategic responses are adopted. It will also help them be able to tap into the thought process of multinationals when responding to market forces.

For policy makers, this study can be a reference point on how to strategically respond to market challenges in the fight to survive in increasing competition in the market. As well has how the response can increase performance and market share.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deals with the literature review of the study. The main areas discussed are the theoretical foundation of the study and strategic management.

2.2 Theoretical Foundation

This study will be guided by the Institutional theory and the Resource based theory. Institutional theory proposes that organizations can adapt to changing conditions by imitating other successful organizations. The resource based theory argues that any firm essentially has a pool of resources and capabilities which determine the strategy and performance of the firm. If all firms in the market have the same pool of resources and capabilities then all firms will create the same value and thus no competitive advantage is available in the industry (Timmermans, Ostergaard, and Kristinsson, 2011).

2.2.1 Institutional Theory

The study will adopt the Institutional theory by (Scott, 2004) which suggests that the actions of firms and the outcomes of these actions are influenced by the knowledge systems, beliefs, and rules that characterize the context of the organization. The firm is embedded in a general environment comprising (a) the institutions that lay the guidelines to shape the behavior of firms and (b) macro-societal factors such as the prevailing culture. The firm is embedded in an industry environment that comprises the actors within an industry such as suppliers, customers, competitors, and channel partners. The nature of the relationships among these industry stakeholders influences the actions that a firm can initiate in pursuit of competitive advantage. The firm has an internal environment that comprises its unique sets of skills and resources; collective beliefs about the market, competition, and industry (example, shared mental models; and culture).

Scott (1995) indicates that, in order to survive, organizations must conform to the rules and belief systems prevailing in the environment, because institutional isomorphism, both structural and procedural, will earn the organization legitimacy. Multinational corporations (MNCs) operating in different countries with varying institutional environments will face diverse pressures. This was supported by (Bailey, 2007) who argued that corporate strategy, business strategy, and functional strategies such as marketing strategy interact to shape the competitive advantage of individual businesses in a firm's portfolio. It is the confluence of these strategies that determines the extent to which a particular business is able to achieve and sustain a competitive advantage. This competitive advantage, in turn, affects the market-based performance and financial performance of the businesses.

2.2.2 Resource Based Theory

The resource-based theory stipulates that the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly to copy (Emiko and Eunmi, 2009). According to Benschop (1991), the resource based theory suggests that competitive advantage and performance results are a consequence of firm specific resources and capabilities that are costly to copy by other competitors. The resources and capabilities are important factors of sustainable competitive advantage and superior firm performance if they possess certain special characteristics. They should be valuable, increase efficiency and effectiveness, rare, imperfectly imitable and non-substitutable.

Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime. The theory promotes resource uniqueness in ensuring there's a platform for sustained competition. According to Zgourides, Johnson and Watson (2002), the resource based theory supports that organizations wish to maintain a distinctive product (competitive advantage) and will plug gaps in resources and capabilities in the most cost effective manner. If the theory is used it is expected to enhance competitive advantage through maximum utilization of unique resources and capabilities.

2.3 Strategy and Environment

An elaboration of the concepts of strategy and environment into its objectives and perceived states, is necessary and by subdividing strategy according to content (outcomes) or process. The objective environment can be further categorized into "task" and "general". An alternative subdivision of strategy is primary (domain selection) and secondary (competitive approach). The concepts of strategy and environment are integrated in that; primary strategy concerns opportunities in the general environment and secondary strategy involves navigating within a task environment (Bourgeois, 1980). Until recently, the field of business strategy has been characterized by two types of literature. Normative works of several writers (Ackoff, 1970; Andrews, 1971; Ansoff, 1965; Katz, 1970) have typically instructed managers on how to formulate strategy by scanning the firm's environment to seek opportunities that could be matched with the firm’s capabilities. This instruction was typically followed by a primer on organization design and on the selection of “competitive weapons” and allocation of resources.

Strategy content and environment have been joined empirically, but there has not been much work that joins the strategy formulation process and environment. One of the few examples of work that does so was a study by Khandwalla (1976), who found that when managers perceived the environments of their firms as “rich in contingencies”, as when they are dynamic and uncertain, their strategies are likely to be more comprehensive or multifaceted. These results agree with those of Miles and Snow (1978) and Paine and Anderson (1977), which indicate that strategic managers in more uncertain environments tend to be more proactive and innovative and they tend to assume a higher degree of risk. The development of strategies to guide organizational activities is a key managerial function, and that guidance is accomplished through the effective co-alignment of organizational resources within environmental conditions.

Environmental perception is an element distinct from the objective task environment and is a prime input to secondary strategy making. The treatment of environment has often indiscriminately mixed objective and perceived attributes, clearly points out that the objective external environment and its variability are the source of the firm’s opportunities and risks and as such must be accounted for when strategies are made and executed. Whereas managers’ perceptions of the environment are part of the strategy making process. This concludes the synthesis of the two concepts, strategy and environment, by relating them of hierarchical level (Bourgeois, 1980).

According to Johnson, Scholes and Whittington (2008), dealing with the environment is difficult because of three factors. First is the diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may not be of much use because no overall picture emerges of the really important influences on the organization. The second difficulty is the speed of change. Managers typically feel that the pace of technological change and the speed of global communications mean more and faster changes than ever before. Third is the problem of complexity. Managers are no different from other individuals in the way they cope with complexities; they try to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It is important to avoid these tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

Ansoff (1980) asserts that when a firm fails to respond to a threat, the losses that results continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point. The start of response is delayed past the rational trigger point due to four factors; systems delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990).

Systems delay typically occurs in large firms due, in part, to the time consumed in observing interpreting, collating and transmitting information to responsible managers. In another part, it is due to the time consumed by these managers in communicating with one another and establishing a common understanding as well as the time necessary for processing the decisions among the responsible groups and decision levels. A verification delay may be invoked because some managers will argue that, even though the level of impact has reached unacceptable proportions, there is never an ironclad assurance that the threat is real and that the impact is permanent. They will opt for waiting a little longer to see if the threat will ‘blow itself out.’

To survive in a dynamic and highly competitive business environment, different organizations have had to engage various strategies to survive. One such strategy is the corporate turnaround strategy. A turnaround situation is one of pointing out to a new direction. It is a complete change in strategic direction of a firm after it has faced a corporate distress. Such a situation can easily lead to collapse of a company unless a plan of corporate survival and renewal is devised and successfully executed. The starting point is identification of the root cause or causes of the crisis.

Turnaround strategies are used when a business worth resuming goes into corporate crisis (Pearce and Robinson, 1997). Boseman and Phatak (1989) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Critical success factors are crucial to an organization because they take into consideration fundamental changes in the environment thus making firms proactive rather than reactive (Bett, 1995). Okutoyi (1992) states that strategy has an important role in helping businesses position themselves in an industry.

Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition (Aaker, 1992). Aaker also adds that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. Kotler (1998) says that to adapt to environmental changes, firms require effective leadership. He further states that, while leadership is crucial, most organizations are over managed and others under-led. In this regard therefore it is necessary to examine what impacts leadership and strategic management have on an organization in relation to its external environment.

2.4 Strategic Responses

A response is an answer or reply in some action. It is usually any behavior of a living organism that results from an external or internal stimulus. Strategic responses are organization responses in predictive ways to the conditions that surround them, adjusting their purpose and shape to meet market and other environmental characteristics. They can lead to increased market share within the industry. Strategic responses are well thought out and researched on in order to be able to predict what could change in the environment or how competition is expected to behave in lieu of uncertainty. With the growth of the agrichemical industry and with new entrants in the market, there was a need to re think the approach and strategy to deal with competition.

As the organization environment changes, the firm should continuously adopt its activities and internal configuration to reflect the new external situations. Failure to do so endangers the future success of the organization (Aosa, 1998). To be able to survive new strategies are required to combat the changes in the environment. According to Ansoff and MC Donell (1990), the organization must adapt their strategies to new environment. All agrichemical firms rely on farmers for their survival. Farmland is reducing as the population grows and farms are cleared to pave way for housing. Competition is increasing with many firms joining the agrichemical industry. Africa still remains untapped. All firms both research and development as well as generic are running for the market.

It can be assumed that the East Africa agrichemicals market could grow by another 30% by the year 2020. However, the companies operating in the same environment will also increase and at the end of the day this means a reduction in the expected share of the growing market. At the same time the laws governing the importation of pesticides are becoming stricter so as to protect the region from importing obsolete products. According to Grant (1998), a company cannot ignore what the competitors are doing or how competitors will react to a strategic change by the company. Hence for BASF to survive against the generic based agrichemical companies their strategic responses have to focus on those competencies that are difficult to imitate or substitute.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the procedures that were used in carrying out the study. The themes discussed here are research design, data collection and data analysis procedures.

3.2 Research Design

A case study method was adopted for the study focusing on BASF East Africa limited Agrichemical products division. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). A case study was chosen as it assisted the research by providing a whole view of an event or situation both context and detailed.

A case study gives a more complete understanding of the situation due to the methods richness in detail. Primary data collected from such a study is more reliable and up to date. The method is appropriate because it provided an in-depth description of the subject under study. A case study involves a careful and complete observation of social units (Kothari, 2004). It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations.

3.3 Data Collection

Data may be defined as the raw material a researcher amasses from the realm a researcher is studying (Bogdan and Biklen, 2007). Primary data obtained was qualitative and was collected by the use of interview guides which was administered to the correspondents face to face. The interviewees were the regional manager for East Africa, marketing manager and the country managers for Kenya, Uganda and Tanzania.

Any secondary data collected was obtained from both internal and external sources. Internal sources included journals and published reports within the organization. External sources included journals and published reports from within the industry.

3.4 Data Analysis

Data collected was analyzed by way of content analysis. Content analysis is a technique for making inferences by systematically and objectively identifying specific characteristics of messages and using the same to relate to trends. It provides the researcher with a qualitative picture of the respondent's concerns, ideas, attitudes and feelings (Creswell, 2003)

Content analysis entails sorting out the collected information in order to make sense of what has been discovered. The researcher has an obligation to represent data and communicate what the data exposes as per the study purpose (Patton, 1990). This involves making descriptions, explanations, suggesting hypotheses and theories, and tying up the researcher's account with earlier stories. This makes it necessary to categorize, synthesize, look for patterns, and interpret the data that has been collected.

The method is also preferable because it has ease of reference and interpretation by the beneficiaries of the study. The method presents the data as was obtained from the respondents, this helps to reduce biasness. Data collected was qualitative and was converted to a form that can be analyzed by the use of a coding frame. A coding frame is just a set of groups into which comments (or answers to a question) can be divided (http://www.audiencedialogue.net/kya16a.html).

CHAPTER FOUR

DATA ANALYSIS, RESULT AND DISCUSSION

4.1 Introduction

This section covers the summary data analysis and interpretations of findings, results and discussions. This study was sought to establish the effects of strategic responses adopted by BASF East Africa Limited to increased competitive conditions in the market.

4.2 Demographic Information

The study sought to determine the demographic composition of the interviewees. The study investigated the name of the interviewees, which was optional; the job title and department of the interviewees.

4.2.1 Job Title of Interviewees

The participating interviewees were required to indicate their job title in the organization. The interviewees indicated that their job titles were; a marketing manager covering Kenya, Tanzania, Uganda, Ethiopia and Rwanda. A country manager covering Kenya and a regional manager covering Kenya, Tanzania, Uganda, Ethiopia and Rwanda. The study chose these interviewees for they were best placed to provide insight on the effects of strategic responses adopted by BASF East Africa Limited on market competitiveness.

4.2.2 Department of Interviewees

The study sought to further investigate the departments of the interviewees in the organization. As per the company structure they are in the same unit of Agricultural Products but covering different departments. The country manager indicated that he was in charge of sales of the agricultural products in Kenya; the marketing manager indicated that he was from the marketing department handling the whole East African region and the regional manager was heading all the departments of the Agricultural Products in the region.

4.3 Effects of Strategic Responses adopted by BASF East Africa Limited

The study sought to establish the effects of strategic responses adopted by BASF East Africa Limited to increased competitive conditions in the market. The study focused on the following: particular market niche in the agrichemical industry which BASF East Africa focuses; BASF's competitors in the market niche; comparison of competitors; entry for competitors; limitations to new entrants; competitive advantage of BASF; challenges and their responses; market performance and adopting of responses.

4.3.1 BASF East Africa Market Niche

The study sought to determine any particular market niche in the agricultural industry which BASF East Africa focuses on. The findings were indicated as follows: cereal fungicides and herbicides; coffee fungicides; ornamentals, cereals and coffee markets. BASF East Africa market niche is a targeted marketing plan that focuses on particular sections of the market that has high potential to connect with a product or service. In this case, the market niche for the organization focuses on the production of cereal fungicides and herbicides; coffee fungicides; ornamentals, cereals and coffee markets.

Instead of casting a wide net in mass-media and large-event marketing, niche marketing at BASF East Africa zeroes in on strategically selected products that have high concentrations of the targeted consumers. Niche marketing is a type of strategic response adopted by BASF East Africa limited to increase its competitive conditions in the market. The company effectively uses niche marketing strategies in their overall marketing campaigns. It is an especially useful strategy for large and small companies that offer products and services that are widely used and that are targeted toward a certain segment of the population.

4.3.2 BASF's Competitors

The study sought to determine who BASF's competitors in the market niche are. The marketing manager and the regional manager indicated that the biggest competitors of BASF in the market niche are Bayer Crop Science and Syngenta East Africa Limited. The country manager indicated that their biggest competitors at BASF are Syngenta and the generic firms. BASF faces competition in East Africa from competitors such as Bayer Crop Science Limited; Syngenta East Africa Limited and other generic firms. An organization must be competitive in its markets, but the rules and approaches governing the nature of competition across markets worldwide can vary in very stark ways.

When an organization's leaders consider instituting practices that heighten that organization's level of responsibility to and care for employees and external constituents, substantial challenges to the implementation of such a perspective can arise when we have different perspectives on the nature of employee-organization and environment-environment relationships across organizations. Such variance is most pronounced when organizations are engaged in international competition.

4.3.3 Comparison to Competitors

The study sought to investigate how BASF compares to their competitors. The country manager noted that the company is better in coffee and accepted that the competition is better in cereal and ornamentals. The Regional manager noted that the competitors have more experience in the East African market but BASF is catching up, meaning that the competitors have been in the industry for a longer time as compared to BASF. The marketing manager indicated that the organization is strong in certain areas especially in technology but has a weakness in terms of ground presence.

The study further probed the interviewees to indicate the factors they consider with priority of top list. The country manager indicated that they consider technology; value added services; product/services mix; delivery quality; sales and distribution channels; current market share; ease of doing business and price. The regional manager indicated that in market share BASF is still behind; product mix and quality of BASF is leading in some of the markets especially coffee; the value added at BASF to competitors is more or less the same with minimal difference to it; sales and distribution use similar channels and that the technology was also similar.

4.3.4 Ease and Difficulty of Entry for other players in the Agrichemical Industry

The study sought to determine what makes it easy or difficult for other players to enter the agrichemical industry in Kenya. The response from the country manager noted that registration and regulatory issues as well as ground presence contribute to the ease or difficulty for other players to enter the agrichemical industry in Kenya. The regional manager noted that government regulations; cost of products and marketing cost contribute to the ease or difficulty for other players to enter the agrichemical industry in Kenya.

The marketing manager indicated that the registration process was too lengthy and the constraints were increasing by the day. He also indicated that the generic products systems were more flexible making it easier for other players to enter the agrichemical industry in Kenya.

4.3.5 Limitation of new entrants in the industry

The study sought to determine what has been done to limit new entrants in the industry. The respondents noted that there are strategic responses adopted by the organization to limit new entrants in the industry. The marketing manager indicated one of the strategic responses adopted by the organization was adopting legislation and laws on entry strategies and that BASF East Africa Limited has invested in research and development for unique technologies and quality of solutions in all aspects including packaging.

The regional manager indicated another strategic response adopted by the organization was putting in place strict regulations and quality checks. BASF East Africa limited has introduced quality products and strong market presence hence limiting new entrants in the industry. The country manager added that the organization has adopted strict regulations and BASF East Africa Limited has patented products which has limited new entrants in the industry.

4.3.6 Competitive Advantage

The study sought to determine what competitive advantage BASF has over other competing firms in the industry. The country manager indicated that the competitive advantage that BASF has over other competing firms' in the industry was some of the products are under patent and that the organization has international experience. The regional manager noted that the competitive advantage that BASF has over other competing firms' in the industry was quality products; global presence and currently farmer focus. The marketing manager indicated that the competitive advantage that BASF has over other competing firms' in the industry was strong and better experience with high investment in research and development (150 years of experience).

The study further sought to determine whether there is a strong competition among firms in the agricultural industry. The marketing manager indicated that there is very strong competition among firms in the agrichemicals industry. The regional manager indicated that there is strong competition among firms in the agrichemicals industry and that goods return on investment. The country manager noted that there is strong competition among firms in the Agrichemicals industry especially generics competing on price.

4.3.7 Challenges to BASF

The study sought to establish the challenges that this rivalry has posed to BASF. The marketing manager indicated that there was a challenge to get more personal with the market. There was a need for more field activities and investment in customer focus areas to be closer to the customers. There was also a challenge on the price of BASF products being higher as compared to competition. This also led to slower market share growth.

The regional manager noted that the challenges to BASF involve market share lessening and that the organization has had to adopt new strategies e.g. small packs. The country manager indicated that the challenges to BASF involve price erosion and generic pressure. The competition's prices seemed to be lower than those of BASF. He also indicated that more and more generic companies were entering the market.

4.3.8 Response to Challenges

The study sought to determine how the company responded to the above challenges. The marketing manager indicated that the response to the challenges was to invest in increased human resource and partnership. The regional manager indicated the response to the challenges faced by the organization by adopting new strategies for example, coming up with small packs; more advertisements and adopting focus from product to farmer focus i.e. having a personal touch. The country manager indicated that the response to the challenge faced by the organization can be responded by selling value as opposed to products.

The study further sought to investigate whether the responses adapted to the given challenges above have helped increase the market performance. The three managers said yes, that the responses adapted to the given challenges above have helped increase the market performance. The marketing manager indicated that the responses adapted have helped increase the market performance by working together with smaller teams. The regional manager indicated that the responses adapted have helped increase the market performance by developing more trust among farmers; having more presence in the market and having increased sales with smaller custom packs. The country manager indicated that the responses adapted have helped increase the market performance by providing solutions to farmers as opposed to products.

The study sought to determine whether the managers feel that BASF should go on adopting the given responses. All the managers interviewed indicated that the responses at BASF should be adopted. The marketing manager indicated that in adopting BASF responses the organization will continue growing market share and overall performance.

4.3.9 Challenges of Competitive Environment

The study sought to investigate whether the respondents have further information they would like to share about the responses by BASF to challenges of competitive environment. The marketing manager gave response and indicated that continued research and development and investment in farmer focus areas and investment in chosen ties with farmers/farmers groups was a response that would help BASF with the challenge of getting a wider reach of the market.

The regional managers indicated that they have helped BASF gain market presence in a short time from 2009 to 2015 and have eaten into competitors markets. The country manager indicated that responses by BASF to challenges of competitive environment involve improvement of distribution by having local warehouse; more ground presence and aggressive marketing campaigns.

4.4 Discussion of Findings

The study focused on the following: particular market niche in the agrichemical industry which BASF East Africa focuses; BASF's competitors in the market niche; comparison of competitors; entry for competitors; limitations to new entrants; competitive advantage of BASF; challenges and their responses; market performance and adopting of responses. BASF East Africa niche market is a targeted marketing plan that focuses on particular sections of the market that has high potential to connect with a product or service.

In this case, the market niche for the organization focuses on the production of cereal fungicides and herbicides; coffee fungicides; ornamentals, cereals and coffee markets. Instead of casting a wide net in mass-media and large-event marketing, niche marketing at BASF East Africa zeroes in on strategically selected products that have high concentrations of the targeted consumers. BASF's faces competition in East Africa from competitors such as Bayer Crop Science Limited; Syngenta East Africa Limited and other generic firms.

An organization must be competitive in its markets, but the rules and approaches governing the nature of competition across markets worldwide can vary in very stark ways. When an organization's leaders consider instituting practices that heighten that organization's level of responsibility to and care for employees and external constituents, substantial challenges to the implementation of such a perspective can arise when we have different perspectives on the nature of employee-organization and environment-

environment relationships across organizations. Such variance is most pronounced when organizations are engaged in international competition.

4.4.1 Comparison with Theory

According to the Institutional theory where a firms general environment influences the actions it can initiate in pursuit of competitive advantage, BASF has had to adopt some responses to fit in the market. From the study one of the actions that BASF has had to adopt to so as to fit in the prevailing culture is Niche marketing. This is a type of strategic response adopted by BASF East Africa limited to increase its competitive conditions in the market. The company effectively uses niche marketing strategies in their overall marketing campaigns. It is an especially useful strategy for large and small companies that offer products and services that are widely used and that are targeted toward a certain segment of the population. This has helped BASF come closer to the market and gain personal trust from the farmers.

Some of BASF East Africa Limited strategies follow the resource based theory. From the study it is evident that they are able to match well with the theory as they have resources and capabilities that are valuable and costly to copy. Their strength in research ensures that they come up with novel products that are difficult to copy which has helped them be ahead of competition. They have come up with certain products that are rare, imperfectly imitable and non-substitutable which will ensure that they have a head start over the competitors.

4.4.2 Comparison with Other Studies

The study established the factors considered with priority of top list. Technology; value added services; product/services mix; delivery quality; sales and distribution channels; current market share; ease of doing business and price were considered to be priority. This factors were more or less the same experienced in other studies. The study on East African breweries limited showed that it adopted market development, product development and modification, innovation culture and structure changes among other strategies which are more or less similar to those BASF has adopted (http://business.uonbi.ac.ke/node/1588).

The study further established that in the market share BASF is still behind; product mix and quality of BASF is leading in some of the markets especially coffee; the value added at BASF to competitors is more or less the same with minimal difference to it; sales and distribution use similar channels and that the technology was also similar. To survive BASF will have to adopt its strategies like Kenya Commercial Bank had to. The study on commercial banks by (Kiptugen, (2003) shows that Kenya Commercial Bank responded by restructuring, marketing, embracing information technology and culture change.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study established the effects of strategic responses adopted by BASF East Africa Limited to increased competitive conditions in the market with the changes in the agrichemical industry. The researcher focused on the strategic responses adopted by BASF East Africa Limited and determined some of the market niche; challenges and responses adopted by the organization. This chapter presents the summary of findings, the conclusion and recommendations of the study.

5.2 Summary

The study revealed that the market niche in the agricultural industry which BASF East Africa focuses on was cereal fungicides and herbicides; coffee fungicides; ornamentals, cereals and coffee markets. The study established that the biggest competitors of BASF in the market niche are Bayer Crop Science and Syngenta East Africa Limited. The study established that the organization provided better coffee products than their competitors, at the same time other firms were ahead in providing other products such as cereal products. The study established that their competitors have had more experience in the East African market but BASF is catching up, meaning that the competitors have been in the industry for a longer time as compared to BASF.

The study further revealed the factors considered to compare the organization to competitors. These factors involve: technology; value added services; product/services mix; delivery quality; sales and distribution channels; current market share; ease of doing business and price. The study established factors that make it easier or difficult for other players to enter the agrichemicals industry in Kenya. The factors that contribute were identified as: regulatory issues; ground presence; cost of products; marketing cost; registration constraints and generic products.

The study revealed some of the limitations to new entrants in the industry. The findings established that the government has strengthened legislation and laws on entry strategies and that BASF East Africa Limited has invested in research and development for unique technologies and quality of solutions in all aspects including packaging; the government limits new entrants in the industry by putting in place strict regulations and quality checks. BASF East Africa limited has introduced quality products and strong market presence hence limiting new entrants in the industry. BASF East Africa Limited has patented products which has limited new entrants in the industry.

The study established what aids BASF to develop competitive advantage over other competing firms in the industry. The firm indicated that they gain competitive advantage over other competing firms in the industry because some of the products are under patent and that the organization has international experience; quality products; global presence and currently farmer focus and strong and better experience with high investment in research and development. The study further revealed that there is strong competition among firms in the Agricultural industry. The marketing manager indicated that there is very strong competition among firms in the Agrichemicals industry.

The study findings reveal the challenges to BASF that this rivalry has posed to BASF. The challenges are created for more field activities and investment in customer focus areas and pressure in pricing at times and slower market share growth. The challenges to BASF involve market share lessening and that the organization has had to adopt new strategies e.g. small packs. The other challenges to BASF involve price erosion and generic pressure. The response to these challenges was to invest in increased human resource and partnership. The response to the challenges faced by the organization by adopting new strategies for example, coming up with small packs; more advertisements and adopting focus from product to farmer focus i.e. having a personal touch and by selling value as opposed to products.

The study established that the responses adopted to the given challenges above have helped increase the market performance. The responses adopted have helped increase the market performance by working together with smaller teams. The responses also adopted have helped increase the market performance by developing more trust among farmers; having more presence in the market and having increased sales with smaller custom packs and further the managers indicated that the responses adopted have helped increase the market performance by providing solutions to farmers as opposed to products. From the investigation on responses by BASF to challenges of competitive environment, the study established that continued research and development and investment in farmer focus areas and investment in chosen ties with farmers/farmers groups; has helped BASF gain market presence in a short time from 2009 to 2015 and has eaten into competitors markets. There is a need for improvement of distribution by having a local warehouse; more ground presence and aggressive marketing campaigns.

5.3 Conclusion

The business environment of BASF East Africa Limited is very dynamic. Therefore, strategic responses which are well developed and appropriately adopted are powerful tools. It is evident that BASF East Africa Limited has responded to the challenges arising from the competitive conditions in the market. BASF East Africa Limited needs to be more diligent in environment scanning and be proactive in formulating strategies that meet and preempt any anticipated adverse changes spinning out of its operating environment. As BASF East Africa Limited increases its competitive market, there is need to enhance its effectiveness in these market conditions to ensure full resource utilization. This would ensure depth of penetration as opposed to breadth.

Dynamic environment changes impact on organizations goals and objectives and this makes it difficult for organizations to remain viable. To be able therefore to stay ahead of competition, it’s imperative for the organizations to continually scan the environment so that the organizations adjust their strategic responses to accommodate the demands of the environment. The appropriate response strategies guarantee a competitive edge that ensures the organizations remain relevant. Typically, businesses are reported to assess their strategic position by scanning the environment for potential market opportunities and threats; evaluating their strategic capability; and assessing the enablers and constraints of strategy.

5.4 Recommendations

From the findings of the study, the following recommendations were made: that in order to stay ahead of competition, agrichemical companies should continuously scan the environment aggressively and speed up implementation of various strategies.

The study recommends that the company has to pay attention to the environment and match their activities to the environmental conditions. This will make the company to be effective and hence successful, they should respond appropriately to changes that occur in their respective environment that lead to increased competition.

The study also recommends that resources and capabilities are important factors of sustainable competitive advantage and superior firm performance if they possess certain special characteristics. These should be valuable, increase efficiency and effectiveness, rare, imperfectly imitable and non-substitutable. The study recommends that strategic responses should allow the organization to gradually transform and act as a prerequisite to transformation into a proactive and effective as well as efficient customer driven firm, so as to gain competitive advantage over competitors ensuring its continued survival in the agrichemical industry. The study recommends that as the BASF East Africa limited environment changes, the firm should continuously adopt its activities and internal configuration to reflect the new external situations. Failure to do so endangers the future success of the organization.

5.5 Limitations of the Study

This study resolute the effects of strategic responses adopted by BASF East Africa limited to increase competitive conditions in the market. This was done within the manufacturing sector by selecting a case study of BASF East Africa limited. Therefore, the study narrowed the manufacturing industry to one organization that the research was confided in. The study similarly did not consider the process of implementing the strategic responses adopted by the organization as a whole but focused on strategic responses adopted by the organization in increasing competitive conditions in the market.

This is a limitation since it ought to have considered the strategy responses process as a whole i.e. from strategic objectives setting, planning, analysis and choice, implementation and evaluation. Thirdly, the study did not consider the role of regulation and policy framework in the manufacturing industry in increasing competitive conditions in the industry hence serving as a limitation.

5.6 Suggestion for Further Research

A study can be carried out to establish whether strategic responses in the other manufacturing firms in Kenya are similar. This will give an indication of responses made by the manufacturing firms in Kenya to their changing competitive situation and hence allow industry generalizations to be made. These generalizations can be used as assumptions by prospective new market entrants and other scholars. The researcher suggests that a similar study can be conducted to establish strategic responses in other industries or sectors to have a comparison of results and also establish the different strategic responses that are adopted by other industries.

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APPENDIX

APPENDIX I: Interview Guide

1. Name of Respondent (Optional):……………………………………………
2. Job Title:……………………………………………………………………..
3. Department:…………………………………………………………………
4. Specify any particular market niche in the agrichemical industry which BASF East Africa focuses
5. Who are BASF's competitors in the market niche (arena)?
6. How do you compare to your competitors?

   Consider factors such as current market share, product/services mix, price, delivery, quality, value added services, sales and distribution channels, technology, ease of doing business.
7. What makes it easy or difficult for other players to enter the Agrichemicals industry in Kenya?
8. What has been done to limit new entrants in the industry?
   a. By Government
   b. By BASF East Africa Limited
9. What competitive advantage does BASF have over other competing firms' in the industry?
10. Is there strong competition among firms in the Agrichemicals industry?
11. What challenges has this rivalry posed to BASF?
12. How has the company responded to these challenges?
13. Do you feel that the responses adapted to the challenges above have helped increase your market performance?

    If yes, how? If no, how?
14. Do you feel that BASF should go on adopting this responses?
15. Do you have any further information you would like to share about the responses by BASF to challenges of competitive environment?
16. Would you agree that the strategic response adoption adds value to the company?

    If no, why?