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INFLUENCE OF VERTICAL INTEGRATION ON ORGANIZATIONAL RESPONSE TO DYNAMIC ENVIRONMENT IN WHOLESALE AND RETAIL SUPERMARKET OUTLETS IN NAKURU, KENYA

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ABSTRACT

Strategic responses enable the organization to survive in turbulent environment with certainty. This study sought to examine the influence of vertical integration on organizational response to dynamic environment in supermarkets in Nakuru, Kenya. The study was based on Dynamic Capability Theory. The study employed descriptive research design with a target population of 182 management employees in 14 supermarkets in Nakuru. Simple random sampling was used where 80 management employees were selected as the respondents of the study. The study used 5-point Likert scale structured questionnaire to collect data. Questionnaires were tested for validity and reliability. Data was analyzed using descriptive statistics and inferential statistics. The analyzed data was presented in tables followed by discussions. The study established that vertical integration had a positive significant relationship with organization response to dynamic business environment. Further, vertical integration had a significant influence on organizational response to dynamic business environment. The study concluded that vertical integration plays a significant role in determining organizational response of supermarkets to dynamic environment in Nakuru, Kenya. It was recommended that the supermarkets should come up with strategies to moderately adopt vertical integration as this may enable supermarkets to strike an appropriate balance between internal and external environment.

Keyword: Dynamic Environment, Organizational Response, Supermarket, competitiveness, Vertical Integration.

1.INTRODUCTION

Organizations operate in an open system where they depend on environment for inputs and also provide outputs for consumption by the environment. It is worth noting that the environment is complex and unpredictable. Organizations therefore must always monitor the environment in order to align activities to the environment to gain competitive advantage and outperform rivals operating in the same industry. Business environment influences strategies that an organization crafts in response to the dynamic environment. Strategy is the company's game plan which results in future orientation plans interacting with the competitive environment to achieve the company's objectives (Pearce and Robinson, 2009).

Strategy links the organization to the environment. According to Pearce and Robinson (2011), the modern executive must respond to the challenges posed by the firm's immediate and remote external environments. This remote external environment comprises factors that originate

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beyond any single firm's operating environment and comprise economic and social conditions, Strategic response encompasses a set of decisions and actions that result in the formalization and implementation of plans that are designed to achieve a firms objectives. A response strategy is a manager's intended reaction to relationship dissatisfaction (Tjemkes & Furrer, 2010). Strategic responses ensure the survival of the organizations at large and at the same time enhance relevance in the environment in which they serve (Evusah, 2013). Response strategies are both operational and strategic.

According to Mwaura (2013), organizations need to scan the environment to spot new industry trends and conditions which may affect the industry and adapt to them as its survival is depended on the environment. According to Mutuku (2014), Strategic responses enable the organization to survive in a turbulent environment with certainty and effective strategy may enable a business to influence the environment in its favour and even defend itself against competition.

There is continued concern about the complexity of the environment and how organizations need to respond to it, hence advocacy for the development of strategy systems. Organizations have no option but to create an interface between the internal and the external environment in order to succeed and survive. External environment provides input for the organization which is processed through the internal activities and the output is channelled to the environment in form of goods and services to satisfy specific needs. Organizations use their strength to exploit opportunities in the environment to be successful. Within organizations exist weaknesses that inhibit the full exploitation of the opportunities and similarly environment has threats that equally hinder exploitation of the opportunities (Luthans, 2008).

Three NGO's in Palestine explored how the environment affects and constraints the actions and characteristics of the individual organizations and how the organizations respond to external constraints. The purpose of the study was to understand NGO's as strategic organizations that enact specific behavior in response to pressures within their environment. Findings showed that organizations have at their disposal a wide range of active choice behaviors that vary from passivity to positivity, such that the organizations actually deal with the dynamic business environment differently employing different strategies to the same environment A study by (Shehada, 2010).

Further a study done on strategic responses to environmental turbulence: A study of four Brazilian exporting clusters, found out that strategic responses of the internationalized clusters studied to demand crises are different, depending on the degree of dependence on external markets and the possibility of redirecting production to the domestic market. A high degree of internationalization may make change more difficult for a firm or a cluster. Also, it seems that the longer the international success of the cluster, the greater the difficulty in finding new strategic responses. This study also found that the Brazilian manufacturing clusters that reached a high degree of success in their international insertion showed a greater propensity to path dependence (Rocha et. al., 2017).

Strategic response is the formulation and implementation of plans that are designed to achieve the objectives of a firm through a set of actions and decisions. It enables an organization to achieve its objectives amidst the competitor's existence through formulation, implementation and evaluation of cross functional decisions. Strategic responses require change of strategy by organizations in tandem with changes in the environment and to redesign their internal capability to match this strategy (Grant, 2011).

Strategic responses are perceived as key drivers in dealing with environmental challenges and responding to customer needs; Mohammed (2014) explored the link between strategic responses and performance of manufacturing firms in Dar es Salaam, Tanzania. The study applied a cross-sectional research design, 96 managers were interviewed and it was found that the most popular responses strategies adopted by firms were mergers, differentiation, product innovation and strategic alliances. Adoption of these responses was found to contribute positively towards improved performance.

On the effectiveness of coping with strategies adopted by commercial banks to environmental dynamics in Senegal, the findings showed that the strategic responses utilized by banks were differentiation, mergers, strategic alliances and product innovation. Banks employed these strategies were found to be efficient in their operations and thus, they were able to retain a large clientele (Diallo, 2012). Kasekendi (2013) found that the adoption of strategic responses allowed manufacturing firms to adapt effectively to the changing environment. This made it easier for such firms to continuously record good sales and profitability. A strong correlation was found to be present between strategic responses and performance.

An investigation on strategic responses of mobile money transfer services in Barclay banks in Kampala, Uganda. The results found that product innovation, differentiation, strategic alliances and mergers were commonly used strategies by Barclays. Implementation of these strategies enabled the bank to effectively cope with changes in the market and guarantee survival. In so doing, the bank was able to cater for the growing needs of its customers. This improved customer loyalty, growth sales and increased profitability (Imalingat, 2015).

A study was done to investigate the impact of strategic responses on firm performance of service firms in Lagos, Nigeria. The study found that strategic alliance and product innovation influenced firm performance. Product innovation adoption led to increased sales since customers got quality products which were difficult to imitate by competitors. The findings depicted that strategic alliances improve synergy between firms. It also widened the scope of services and products offerings to the customers giving many customers a chance to access products (Akinyele & Fasogbon, 2010).

Modern organizations exist in environments that are turbulent and hostile, which pose constant threats to their growth and survival. In the long term only effective organizations will survive and prosper. The attainment of a competitive position or series of competitive positions that lead to superior and sustainable performance is a manifestation of the success of any organization. Changing business environment, however, presents a challenge to the way organizations conduct business and they are forced to constantly create strategies that seek to outperform rivals. This adaptations made in response to the environment are referred to as strategic responses (Thompson, Strickland & Gamble, 2008).

A study was done to investigate the response strategies adopted by the public universities in Kenya to the ever changing environment. The aim was to find out the response strategies adopted by the public universities to the ever changing environment. The study concluded that the coping strategies adopted by public universities in Kenya in response to changes in the environment are more or less similar to those applied by corporate organizations among them, grand strategies and Porter's generic competitive strategy (Mathooko & Ogutu, 2013).

To establish the strategic responses by Kenya Television Network's broadcast programming to the changing competitive environment, Ndirangu (2012) concluded that KTN as a broadcaster has not succeeded in proactively responding to the changes in the external environment. This is evident from the advertising revenues KTN has recorded in the past two years that shows an immense decline. The study further recommended that KTN also needs to conduct a customer satisfaction survey as well a work environment audit to be able to review its strategic plan with full information. The study recommends that a formulated strategic plan should be drawn largely from the responses of the customer survey, thus making KTN a people's channel.

A study was conducted on the strategic responses by Kenya Revenue Authority to the changing environment. The study deduced that there was preparation of service charters by all departments, automation of processes, integrity awareness to stakeholders as well as the introduction of Electronic Tax Register (ETR) and introduction of integrity programs. The study recommends that although KRA has been successful in neutralizing the challenges brought about by them changes in the operating environment. It should scan the environment and come up with proactive strategies to cope with identified risks before they happen (Kittony, 2013).

Response strategies by commercial banks to economic changes in Kenya, examined the strategies used by commercial banks in Kenya to respond to changes in the economic environment. A sample of thirty five banks was used. The study established that the commercial banks have been able to respond to the changes in their environment through retrenchment strategies which involved cutting operating costs and divestment of non-core assets. Other response strategies that the study found include investment, innovation and expansion into new markets (Ndungu et al., 2014).

In strategic responses and dynamic business environment at copy cat Kenya ltd, it was establish that there were strategic responses adopted by Copy Cat Kenya Limited in response to the dynamic business environment in Kenya. The study found that copy cat limited engaged in partnerships, expanded to the region, differentiated on products and engaged in more research in response to the dynamism in the competitive environment. The study recommended changes in hiring policies in the firm, constant review of strategy and for the company to work closely with government to influence policy at the formulation stage (Owiso, 2015).

In strategic responses to the dynamic business environment in Kenya by old mutual Kenya limited it was found out that Old Mutual Kenya adopted various strategies to respond to changes in the Kenyan business environment. The company adopted diversification, good corporate governance, products differentiation, market segmentation, acquisition, expansion, business process automation and strategic partnerships. The study recommends that the company should continuously scan the environment and speed up implementation of various strategies adopted for it to stay ahead of competition (Mutuku, 2014).

2.STATEMENT OF THE PROBLEM

Wholesale and retail trade sector is one of the key sectors that have been singled out by vision 2030 for transformation of the Kenyan economy to a trade competitive economy through efficient outlet of goods from farms and industries in Kenya as well as imported goods. A study by the ministry of industry, trade and cooperatives (2017) indicated that the growth rate of wholesale and retail sector in Kenya had assumed a downward trend being highest in 2010 at 10.20% and lowest in 2016 at 3.8%. According to the report, the effect of this deteriorating performance was manifested in the decline in the sector's share in total GDP from a high of 11.2% in 2012 to 5.0% in 2016, a level much lower than 2007. The sustained decline in performance is a clear testament that unless appropriate steps are undertaken in this sector, companies will find themselves collapsing and not in a position to sustain themselves in the long run. In the recent years, local supermarkets have had to confront changes in the business environment with some surviving the terrain while others could not survive. Supermarkets like Uchumi and Nakumatt supermarkets which were once giant supermarkets have had to close shop. Ukwala supermarket was taken over by Choppies supermarket a brand from Botswana. While most retail outlets tend to cherish competition and encourage growth, it is surprising that two third of these firms drop out of the growth curve of the product lifecycle. The foregoing necessitates the undertaking of this study to examine the strategic responses adopted by retail chain supermarkets to manage in the dynamic business environment.

3.OBJECTIVE OF THE STUDY

The study sought to examine the influence of vertical integration on organizational response to dynamic environment on wholesale and retail supermarket outlets in Nakuru Kenya

4.HYPOTHESES OF THE STUDY

Vertical integration has no statistically significant influence on organization response to dynamic environment by wholesale and retail chain supermarkets in Nakuru Kenya.

5.CONCEPTUAL FRAMEWORK

Vertical Integration
- Designing
- Logistics
- Procurement

Independent Variables

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Organizational Response to Dynamic Environment
- Goal Achievement
- Competitive strategies

Dependent Variable

6.THEORETICAL FRAMEWORK

6.1 Dynamic Capability Theory

Dynamic capability theory was developed by Teece in 1997. He used it to explain how different companies fulfill their contradictory needs. He emphasized two things; one was that organizations must be stable in order to continue to deliver value in their own unique way, and two was that they must be flexible and adaptive enough to shift on time when circumstances dictate so. He defined capability as a set of learned processes and activities that enable a company to produce a particular outcome.

The ability of a firm to build, integrates, and reconfigures external and an internal competence to address environments changing rapidly is its Dynamic Capability (Teece et al., 1997). According

to Eisenhardt & Martin (2000), Dynamic capabilities are the ways in which new configurations of resources are achieved by firms as markets emerge, collide, evolve, split, and die through its organizational and strategic routines. This capability is dynamic as the firm's competences, both internal and external, must be build, adapted and configured continually for congruence to be achieved with the changing business environment especially when product timing and time-to-market are critical, the rate of change of technology rapid and determining the nature of markets and future competition hard (Teece et al., 1997).
Between a shifting environment and a firm's resources, dynamic capabilities acts as a buffer by enabling a firm sustainably maintain its competitive advantage, which would otherwise be eroded, by helping it adjust its resource base (Aosa & Rugami, 2013). The processes of change, inventing and re-inventing the business architecture, selection of assets, and asset orchestration are the emphasis of dynamic capabilities (Helfat, et al. 2007). The firms which are able to sense and then seize new opportunities and further reconfigure, in line with recognized opportunities and environmental change, their resources and capabilities is assumed that they can create and sustain a competitive advantage (Teece, 2012).
Sensing, seizing and reconfiguring capabilities are classifications of Dynamic firm capabilities (Teece, 2007). Where the ability of firms to have their environments scanned continuously and search for opportunities, inside and outside the organization's boundaries, that are opening up constantly is its sensing capability. Its ability to seize and recognize value and potential in the opportunities by recognizing target customer or selecting the right technology is seizing capability. Reconfiguring capability is the ability to reconfigure and recombine the resource base in order to address opportunities and changes in the environment (Breznik & Lahovnik, 2015). Strategic responses by any given firm in any given competitive environment will therefore much depend on the firm's dynamic capabilities, so that two firms will react differently to the same change in the competitive environment.

7.EMPIRICAL REVIEW

7.1 Vertical Integration on Organizational Response to Dynamic Environment

The degree to which a firm owns its upstream suppliers and its downstream buyers is referred to as vertical integration (Grant, 2010). Vertical integration is usually viewed as the extent to which a firm controls the production of its inputs or supplies and the distribution of its outputs or finished products. It involves a variety of decisions concerning whether corporations should provide certain goods or services in-house or purchase them from outside firms. Over the years, vertical integration is used to serve different strategic objectives. From the emergence of the modern industrial enterprise in the late 1880s to the 1970s, vertical integration has been an important portion of corporate strategy for a long time. Companies pursue high levels of vertical integration to control the source of supplies, to realize economies of scale and scope, and to reduce market transaction costs (Fernandes & Tang, 2012).
A study carried out by Ann and Kavale (2016) on effect of vertical integration on the performance of Agricultural Commodity Business. A case study of Export Trading Company ltd. Findings from their study indicated that organization attests to its vertical integration with majority agreeing to the four vertical integration attributes of ownership of warehouses, transport ownership, supplier relationship management and distribution ownership. This study also

revealed that a strong and positive relationship between vertical integration and the organization performance with four variables; ownership of warehouses, transport ownership, supplier relationship management and distribution ownership being strong and positively related to organization performance. The study recommended that investment in technology for vertically integrated organization is important to enhance the entire organization performance and output and in identifying areas that require specialized skills for a coordinated operations that play a positive role in achievement of maximum benefit for the whole organization.

On strategic responses to dynamic competitive environment adopted by the East African Portland Cement Company Limited (EAPCC), Kenya. Kipyegon (2016) established that the main changes in the competitive environment have been influx of new players in the market, a rapidly expanding economy, and forex rate fluctuations. Kipyegon established that EAPCC adopted operational efficiency strategy, outsourcing and diversification strategies in response to these changes in the competitive environment. The study recommends that EAPCC focuses in innovation through Research and Development and also adopt expansion strategies (Kipyegon, 2016).

Firms' integration decisions are essentially based upon the similarity between capabilities at different stages, such that the firm can exploit its own skills, knowledge and experience. He assumed that as firms achieve higher levels of vertical integration, the incentives for focusing their R&D on exploiting their core competences would become stronger, since they can profit from the specialized nature of their research activities (Diez-Via,l 2009).

According to a study by Grant (2010), vertical Integration can have a significant impact on a business entity in positioning itself in the industry with respect to cost, differentiation and other strategic issues and because of that vertical scope of the firm is an important consideration in corporate strategy. According to Grant (2010) the advantages of vertical integration and other competitive scope of corporate strategy are based on following three concepts namely; increase of economies of scope in resources and capabilities. Second one is transaction cost reduction; for example: apparel firms can increase control over input through supply chain integration and this also gives the opportunity for differentiation, increasing entry barrier, pooling negotiation power, investing in highly specialized assets and third is decrease costs of corporate complexity; for example the apparel firms can improve supply chain coordination, capturing upstream and downstream profit margin Grant (2010).

7.2 Organizational Responses to Dynamic Environment

Organizations are vulnerable to changes in their operating environment and this has great impacts on their operations. The firm's environment consists of the remote environment, industry environment and the operating environment (Omollo, 2011). Victoria (2010) did a research on response strategies of SMEs in Hungary to an environment changing in the early 2000s. The findings revealed that the strategies of SMEs in Hungary were not independent, but mostly adaptive, reflecting current changing global strategies and tender opportunities. Kimutai (2010), researched on strategic responses to competition by the Kenya ports Authority. Within the internal business environment the research established that Kenya Ports Authority has to take deliberate measures to offload excess workers, put in place a modern structure and change its organization culture. The authority has invested heavily in IT systems with the latest being the waterfront system to manage all operations at the water front area.

A case study on strategic responses of KCB branches Nyeri county branches on changing environment, the study found that growth of new merchandises and intensifying into innovative markets were some of the approaches the bank was using. By effecting changes in the marketing mix elements the study found out that the bank was able to react to evolving variations in the market (Njiru, 2012).

A research on strategic responses and dynamic business environment at copy cat ltd Kenya, Owiso (2015) found that expansion and strategic alliances among the dominant strategies adopted by the company in response to the changes in the environment. Abishua (2010) in strategic responses used by equity bank to compete in the Kenyan banking industry found the bank employed product diversification and expansion among other strategies in responding to the environment. Mutuku (2014) who studied the strategic responses to the dynamic business environment in Kenya by old mutual Kenya limited. The study found that in response to the environmental changes, Old Mutual responded with various strategies that included cost reduction, acquisitions, expansion and new product development. Ramona (2008) found that, for Barclays Bank of Kenya to remain competitive in the market, it adopted some strategic responses such as offering wide range of products and services, engaging highly skilled staff, automation of business processes, avoiding use of publicity, outsourcing support, advertisements and also reducing operating staff.

In his study, Nyamai (2011) established that Jubilee Insurance Ltd responded to economic environment and changes in the Insurance Industry in Kenya through strategic choices which included: new products development, entering new markets, improved customer service, employees' motivation and adoption of state of the art of information technology systems. Since the turn of the millennium, there has been a tendency in some firms to revert to a simpler strategic structure. This is being driven by information technology. It is felt that knowledge management system should be used to share information and create common goals. Strategic divisions are thought to hamper this process.

On a study done to examine the strategic responses adopted by Kenya Revenue Authority to the changing environment. The study deduced that there was preparation of service charters by all departments, automation of processes, integrity awareness to stakeholders as well as the introduction of Electronic Tax Register (ETR) and introduction of integrity programs. The study recommends that although KRA has been successful in neutralizing the challenges brought about by the changes in the operating environment. It should scan the environment and come up with proactive strategies to cope with identified risks before they happen (Kittony, 2013).

A research carried out to establish the strategic responses by Kenya Television Network's broadcast programming to the changing competitive environment. Primary data was used in the research and data was collected using an interview guide. Data was analyzed using content analysis as the study aimed to collect data that was qualitative in nature. The results concluded that KTN as a broadcaster has not succeeded in proactively responding to the changes in the external environment. This is evident from the advertising revenues KTN has recorded in the past two years that shows an immense decline (Ndirangu, 2012).

Dynamic business strategies require businesses to pay close attention to a variety of sources, both from business operations (sales data, for instance) and stakeholders (customers). Monitor your environment and put processes in place to collect, aggregate, analyze and react to

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information from various sources, both inside and outside your company. In selecting strategic response a firm can choose, depending on its internal capability between three generic competitive strategies namely; cost leadership, differentiation and focus. Organizations can respond using product-market scope strategies. A company may use the penetration strategy when internal factors show strength in the present product and the external factors show continuous market opportunity and management has relative low risk orientations (Jackline, 2014).

8.RESEARCH METHODOLOGY

The study employed descriptive research design. The major purpose of descriptive research design is description of the state of affairs as it exists at present (Kothari, 2004). The choice of the research design was because of the need to describe the present situation regarding retail chain supermarkets in Kenya. The study target population included the management employees of the supermarkets in Nakuru town Kenya. Nakuru town has fourteen supermarkets with 182 management employees. Simple random sampling was applied where 80 management employees were selected as respondents of the study. The study used structured questionnaires to gather data. Questionnaires were tested for validity and reliability. The researcher captured both qualitative and quantitative data and this data was analysed using descriptive statistics and inferential statistics with the help of Statistical Package for Social Sciences (SPSS) computer software for analysis so as to enable the researcher achieve the study objectives. The findings were presented using tables and discussions thereof.

9. FINDINGS AND ANALYSIS

80 questionnaires were distributed to the respondents. 60 questionnaires were completely filled up and returned and checked for data completeness. The 60 questionnaires were deemed appropriate for data analysis. This formed a response rate of 75% which was characterized as very good.

9.1 Descriptive Statistics

9.1.1 Vertical Integration Descriptive Statistical Results

The study established the views of the respondents in regard to vertical integration by the supermarkets. Through open ended questions, respondents noted that the main method of vertical integration adopted by the supermarkets is that of producing their own products. Some of the respondents indicated that their supermarket tries to do direct distribution to consumers thus reducing the cost of transportation. Findings from Likert scale items were also computed. The percentages, means and standard deviations of the responses were established to aid in making inferences. The findings from the analysis were as presented in Table 4.4.

Table 4. 1: Descriptive Statistics on Vertical Integration

	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Std. Dev

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Vertical integration has enhanced logistics in supermarkets where there is reduced communication and transportation costs	58.3	33.3	3.3	0	5.0	4.40	.960
Supermarkets have skilled personnel in the procurement department who are capable of purchasing goods outside the firm	46.7	36.7	5.0	10.2	1.7	4.17	1.028
Vertical integration has enabled supermarkets to improve supply chain coordination and capturing upstream and downstream profit margins	50.3	28.3	21.7	0	0	4.28	.804
Vertical integration has reduced transportation costs in supermarkets	55.0	33.3	10.0	0	1.7	4.40	.807
Vertical integrations helps to reduce lead time	33.3	35.0	13.3	11.7	6.7	3.77	1.226
Vertical integration has helped the firms to absorb technology which leads to financial performance of firms	56.7	20.0	15.0	3.3	5.0	4.20	1.132
Valid N (listwise)	60						

Descriptive results established that majority of the respondents agreed that vertical integration has enhanced logistics in supermarkets by reducing communication and transportation costs. 91.6% of the respondents' strongly and/or agreed registering a mean of 4.40 and a standard deviation of .960. Further, respondents agreed that supermarkets have skilled personnel in the procurement department who are capable of purchasing goods outside the firm where 46.7% of the respondents strongly agreed and 36.7% of them agreed with a mean of 4.17 and a standard deviation of 1.028. On the other hand, 50.3 % and 28.3% of the respondents strongly agreed and agreed respectively that vertical integration has enabled supermarkets to improve supply chain coordination and capturing upstream and downstream profit margins. This aspect returned a mean of 4.28 and a standard deviation of .804. A mean of 4.40 and a standard deviation of .807 were registered where respondents agreed that vertical integration has reduced transportation costs in supermarkets. 55.0% of the respondents strongly agreed while 33.3% of them agreed. They also agreed that vertical integration has helped to reduce lead time. 35.0% and 33.3% of the respondents agreed and strongly agreed respectively recording a mean of 3.77 and a standard deviation of 1.226. Finally, 76.7% of the respondents strongly and/or agreed that vertical integration has helped the firms to absorbs technology which leads to financial performance of firms. Findings were in agreement with findings of Ann and Kavale (2016) on their study on effect of vertical integration on the performance of Agricultural Commodity Business who found a strong and positive relationship between vertical integration and the organization performance with four variables; ownership of warehouses, transport ownership, supplier relationship management and distribution ownership being strong and positively related to organization performance. They recommended that investment in technology for vertically integrated organization is important to enhance the entire organization performance and output and in identifying areas that require specialized skills for a coordinated operations that play a positive role in achievement of maximum benefit for the whole organization.

9.1.2 Organizational Response Descriptive Statistic Results

The researcher sought to examine the responses of the respondents regarding organizational response by computing the percentages, mean and standard deviation. Findings from the analysis were as shown in table 4.7.

Table 4. 2: Descriptive Statistics on Organizational Response

	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Std. Dev
Supermarkets are capable of responding to threats, technology changes, political changes as well as taking advantage of opportunities	40.0	36.7	15	1.7	6.7	4.02	1.112
Supermarkets have improved their products hence gaining competitive advantage	43.3	30.0	13.3	5.0	8.3	3.95	1.241
Supermarkets have introduced new products and they have enhanced technology	56.7	30.0	8.3	5.0	0	4.38	.846
Supermarkets have adopted advertisement as a way of marketing their products	45.0	35.0	5.0	15.0	0	4.10	1.053
Most of the supermarkets do adjust prices for their products to encourage more customers to buy their products	31.7	50.0	10.0	3.3	5.0	4.00	1.008
Supermarkets develop new ways of distribution channels in order to reach every customer	46.7	33.3	11.7	5.0	3.3	4.15	1.039
Supermarkets employ highly trained staffs who can work with minimum supervision	31.7	26.7	23.3	8.3	10.0	3.62	1.290
Valid N (listwise)	60						

Majority of the respondents comprising of 76.7%, strongly and/or agreed that supermarkets are capable of responding to threats, technology changes, political changes as well as taking advantage of opportunities with a mean of 4.02 and a standard deviation of 1.112. On the other hand, they agreed that supermarkets have improved their products hence gaining competitive advantage. 43.3% of the respondents strongly agreed and 30.0% of them agreed. This aspect returned a mean of 3.95 and a standard deviation of 1.241. It was also observed that a mean of 4.38 and a standard deviation of .846 were registered where respondents agreed that supermarkets have introduced new products and they have enhanced technology. 56.7% of the respondents strongly agreed while 30.0% of them agreed. 45.0% and 35.0% of the respondents strongly agreed and agreed respectively that supermarkets have adopted advertisement as a way of marketing their products recording a mean of 4.10 and a standard deviation of 1.053. Respondents agreed that most of the supermarkets do adjust prices for their products to encourage more customers to buy their products. 50.0% of the respondents agreed and 31.7% of them strongly agreed registering a mean of 4.00 and a standard deviation of 1.008. Findings also established that supermarkets develop new ways of distribution channels in order to reach every customer. 80.0% of the respondents strongly and/or agreed with the aspect recording a mean of 4.15 and a standard deviation of 1.039. Finally, the researcher observed that respondents agreed that supermarkets employ highly trained staffs who can work with minimum supervision. 37.1%

and 26.7% of the respondents strongly agreed and agreed respectively. This registered a mean of 3.62 and a standard deviation of 1.290. Other researchers like Mutuku (2014) who also found out that Old Mutual Kenya Ltd in response to the environmental changes, Old Mutual responded with various strategies that included cost reduction, acquisitions, expansion and new product development.

9.3 Correlation Analysis

9.3.1 Relationship between Vertical Integration and Organizational Response

The relationship between vertical integration and organizational response were established and findings were presented in Table 4.8.

Table 4. 3: Correlations between Vertical Integration and Organizational Response

		Organizational Response
Vertical Integration	Pearson Correlation	.601**
	Sig. (2-tailed)	.000
	N	60
**. Correlation is significant at the 0.01 level (2-tailed).		

From the table, an average positive significant (r=.601, p=.000) relationship between vertical integration and organizational response was established. As such, vertical integration was found to have an important role in determining how supermarkets respond to dynamic environment. These findings were in agreement with findings of Grant (2010) who found out that vertical integration can have a significant impact on a business entity in positioning itself in the industry with respect to cost, differentiation and other strategic issues and because of that vertical scope of the firm is an important consideration in corporate strategy.

10 .CONCLUSIONS AND RECOMMENDATIONS

The study concluded that vertical integration significantly influences organizational response. Therefore vertical integration has a direct relationship with organizational response. Hence, it was concluded that vertical integration has a role in determining organizational response of supermarkets in Nakuru, Kenya. The study recommended that supermarkets should engage in a strategy of vertical integration at a moderate level, as this may enable supermarkets to strike an appropriate balance between internal and external environment. It was also recommended that owners and managers of supermarkets should keep in mind that they should try to improve their resources and capabilities in a way they can share these in new opportunities of business. This would give the fitness for survival of supermarkets in a dynamic environment.

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