STRATEGIES ADOPTED FOR COMPETITIVE ADVANTAGE BY GARMENT MANUFACTURING EXPORT PROCESSING FIRMS IN NAIROBI, KENYA

BY

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DECLARATION

I declare that this research project is my original work and has not been submitted in another university or any other institution.

SIGNED……………………………….. DATE…………………………….

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D61/73027/2014

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

SIGNED…………………………………….. DATE…………………………….

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DEDICATION

This research project is dedicated to my wife Violet and daughter Tiffany for their sacrifice and support to ensure that the MBA course is completed, and to my late parents, Victor and Christine, for their magnificent support in my life. I will forever be indebted to you.

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ABSTRACT

It is the role of Governments around the world to spearhead development efforts in their respective countries. Among the strategies adopted in many developing countries is the establishment of Export Processing Zones. The establishment of EPZs in Kenya was aimed at facilitating export oriented industrialization as well as enhancing industrial growth and development in the country. This study assesses the strategies adopted by garment manufacturing EPZs in Nairobi, Kenya, as they strive to attain competitive advantage. Strategic management process is the most essential activity by business organization. This study was based on the Porter's generic strategies of cost leadership, differentiation and focus in an attempt to discover the particular strategies relied upon by the firms under study. Data for the study was obtained by use of questionnaires as the primary source, which was administered to the top managers of the firms. The study adopted a descriptive survey design. The total population of this study was the nine Export Processing Firms in Nairobi. This study was therefore a census of the total population of all the nine garment manufacturing EPZs in Nairobi. Data analysis was done through the factor analysis method. The study established that the firms majorly rely on resource based view strategies to meet their market demands. In addition, most of these firms adopt low cost strategies whereas some of the firms are slowly introducing differentiation strategies in their attempt to satisfy high quality customer demands. This study recommends that the government of Kenya formulates policies that are not prohibitive to enter the garment manufacturing industry. That fair competition is encouraged by standardizing regulatory requirements across export firms found within the industry. In strategic management practice, this research highlights the importance of strategy formulation, implementation and evaluation. That the firms still need to identify and precisely formulate the particular strategies of interest and to fully implement them in order to succeed in their operations. In theory, this research builds on the existing body of knowledge of strategic management and particularly on the management of export processing firms.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In order to successfully relate to its external environment, an organization must formulate and properly implement its strategies. Strategy is the game plan by management in positioning the company in its chosen market arena, to compete successfully, please its customers and to achieve good business performance (Thomson & Strickland, 2002). Strategy also implies to the direction and scope of an organization in the long run, that achieves advantage for the organization through its configuration of resources in a changing business environment, to meet the needs of markets and to fulfil stakeholder expectations (Johnson & Scholes, 2008). A company will enter into a new market in order to, among other reasons, attract new buyers, reduce its costs of operations, exploit its distinctive competencies, spread operational risks or access other resources.

The goal of every business is to gain and sustain an advantage over rivals. This involves achieving a strong position in the market and protecting itself from attack by other firms (Walker , 2008). Barney and Hensterly (2008), state that a firm gains competitive advantage when it is able to earn more economic value than its rivals. According to Porter(1980), the nature and extent of competition by firms in an industry depends on five forces. These include threats of new entrants, bargaining power of customers, bargaining power of suppliers, threats of other substitute products and rivalry among the competitors. Thus, business strategy boils down to achieving competitive advantage.

Strategy is the link between an organization and its external environment. It is the determination of the basic long- term goals of an organization, and the selection of course of action and the allocation of resources needed for carrying out these goals (Chandler, 1962). Every organization has its own unique set of external environment. This environment consists of competitors, customers, suppliers, government, physical infrastructure, workers, availability of raw materials, shareholders, creditors etc.

It is the core responsibility of the managers to come up with strategies to best utilize the resources in their immediate environment. Competitive advantage, according to Porter (1980), is the strategic advantage a business enterprise has over its competitors within its competitive industry. It is the choice and successful use of strategies that earns an organization a sustainable competitive advantage. A good strategy is one that enables an organization to effectively match its capabilities with the environment while building on its distinctive competencies so as to remain successful in the business environment. The motivation for this study is therefore to establish the competitive strategies adopted by garment manufacturing export processing firms in Nairobi, with relation to the changing business environment.

This study was carried out in nine export processing firms in Nairobi comprising of firms in Athi-River, Africa Apparel and Balaji zones. The study focused only on those firms that manufacture garments in an attempt to establish their relationships in terms of sourcing for the raw materials, processing and sale to the end user. Since the markets for finished garment products are majorly in Europe and USA, the aim of this project was to identify the advantages these firms enjoy by carrying out their production in Kenya, especially in Nairobi before exporting their finished products to the foreign markets.

1.1.1 The Concept of Strategy

All organizations whether profit or nonprofit, private or public, large or small, domestic or global must undertake strategic management activities in order to remain successful. Strategic management provides an overall sense of direction to an organization by attempting to answer questions as to where an organization is presently, where an organization is going and how it will get there. The ever changing business environment makes the concept of strategy an important determinant for success or failure of many organizations. According to Pearce & Robinson (1997), strategies are the sets of decisions and actions resulting into formulation and implementation of plans designed in an attempt to realize the set goals of an organization.

Strategy is the existing link between an organization and its external environment (Mintzberg, 1994). It defines the core business of the organization and attempts towards achieving long-term sustainable competitive advantage in its business by responding accordingly to environmental opportunities and threats considering its own strengths and weaknesses. It is thus relevant to firms of all sizes whether formal or informal and regardless of the industry they are operating in. Through competitive strategy, firms build strategic initiatives and sustain competitive edge in the market (Grant, 2000).

Competitive strategy focusses on establishing favorable, profitable and sustainable position in spite other factors that influence industry competition (Porter, 1985). Understanding strategy has been hurt by the tendency by firms to view strategy as a standalone phenomenon rather than as a linked element in the management of institutions (Ansoff & McDonnell, 1990).It is worth noting that firms must carefully select the strategies that work best for them under specific circumstances and be ready to adjust the strategy accordingly should the circumstances change by any chance.

1.1.2 Sustainable Competitive Advantage

A company enjoys competitive advantage when it produces its products and services more efficiently and effectively than its competitors. A company benefits from competitive advantage if it has an edge against its rivals in attracting customers and defending them from other competitive forces (Thomson & Strickland, 2002). A firm with a higher competitive advantage competing in an industry is more profitable and more likely to earn higher returns than those without competitive advantage.

Core competencies are built on intangible assets that are not easy to imitate by competitors. They act as the main source of a firm's unique value delivery to its customers which allow it to be flexible in terms of markets and products. Organizations have moved from just attaining competitive advantage to sustaining competitive advantage. According to Andrews (1980), organizations have to take advantage of new technologies and ideas to give them benefits over their competitors.

Hitt et al (1997) argued that a strong competitive strategy is based on the ability to understand and predict the changing market conditions and customer needs. Changes in the business environment and responses by competitors affect the competitive position of an organization who in turn responds to counter the moves. These moves are therefore temporary and organizations have to keep re-engineering themselves (Johnson & Scholes, 2002). Intense competition has made the target market a global village in which products and services are easily available regardless of their geographic origin.

1.1.3 Export Processing Zones in Nairobi, Kenya

Export Processing Zones program was established in Kenya in 1990 upon the establishment of the EPZ Act, Cap 517 Laws of Kenya. This program is run by Export Processing Zones Authority (EPZA) whose mandate includes promotion and facilitation of export oriented investments and developing an enabling environment for such investments. The EPZA is a state corporation, under the Kenya's ministry of Trade and Industry.

The establishment of EPZs in Kenya was aimed at facilitating export-oriented industrialization as well as enhancing industrial growth and development in the country. This study assesses the role of EPZs in development, based on their role in re-orienting industrialization to an outward-looking strategy, their contribution to employment creation, diversification of industries, foreign exchange earnings, technology transfer and other spinoffs. Many developing nations are in the process of trying to grow their economies by integrating them into the global business supply chain.

An Export processing Zone is a selected area in a country which attracts foreign investments in an attempt to grow their industrial base, create employment, improve technology and create linkages between the zones and the home economies. These zones possess some valuable resources that appeal to investors such as availability of natural resources, cheap labor and other logistical benefits. Nations will enhance investment in the EPZs by offering incentives such as expedited licensing or investment permits, reducing customs regulations, offering tax incentives such as tax holiday for ten years, or improving infrastructure to investors' satisfaction.

1.2 Research Problem

The contemporary world business environment and changing business activities within and between regions are creating new competitive challenges on companies, which in turn creates the need for competitiveness (Tharnujan & Seneviratne , 2009). At the same time, technologies that rely on internet have enhanced better communication networking between consumers and suppliers, enabling them to attain new competitive advantages driven by information technologies, enhancing wider information sharing process and growing business performance (Borges-Tiago, 2008).

This study is based on Porter (1980) theory of competitive advantage, where he outlines five competitive forces as: threats of possible entrants, buyers' and suppliers' bargaining power, threats of substitute products, and competitors' rivalry. The role of competitive strategy is to establish a favorable relationship between a company and its environment. Awareness of these challenges brings into focus the core strengths and weaknesses of the firm and informs its positioning in the industry as it responds to opportunities or threats.

Singa (2007) suggests that there has been an increase in the number of investments in EPZs in sub-Sahara Africa, Asia, and Latin America. These nations are creating export development programs that encourage investments from multinational companies. This study acknowledges the role of EPZs in development, based on their function in re-orienting industrialization to an outward-looking strategy, their contribution to employment creation and diversification of industries. In particular, it seeks to establish the relationship between strategies and competitive advantage among EPZs in Nairobi.

There are many studies that have been done in this area. Brennan and Lundsten (2000) on competition between small traders and discounters, using Cluster Analysis method, showed that customized services and high quality goods are the most recommended strategies. Cahit et al (2016) used Partial Least Square method to examine the effects of strategies and innovation, on firms' performances and found out that strategy such as cost leadership or differentiation can lead to innovation, which, in turn, increases firm's performance.

Benefit–Cost appraisal by Kankesu (2003), using the cost-benefit analytical framework, of the EPZs suggested that firms in Malaysia, South Korea, Sri Lanka, China and Indonesia are more economically efficient and create more returns well above approximated opportunity costs. Munyoki et al (2012) on the relationships between firm competencies and performance among SMEs in Uganda found out that export managers should outsource other production activities to firms that specialize in such activities and focus on their core marketing and sales activities so as to enhance better performance.

Tembur (2016), a cross- sectional study on tax incentives and performance of EPZs in Kenya, established a weak positive impact of tax incentives and performance of the firms. Kandie (2001) found out that despite liberalization being the driving force for competitive response in Telkom Kenya, other challenges like financial limitations and lack of managerial ability limited the firm's capacity to respond. Kiptugen (2003) used frequencies and percentages to establish how KCB responded to the dynamic competitive environment. Mokaya (2007) used descriptive analysis to investigate the strategic responses by the ministry of roads.

From all these studies, it is evident that firms in each respective industry adopt different competitive strategies that are unique to each market. It is also evident that none of these studies has adopted factor analysis method to particularly focus on the relationships between strategies and sustainable competitive advantage among garment manufacturing export processing firms in Kenya. This research project sought to fill the existing knowledge and methodological gaps by investigating the strategies employed by these firms as they attempt to achieve superior performance. The study therefore sought to find answers to the research question as to, "What competitive strategies have the garment manufacturing export processing firms in Nairobi, Kenya put in place to enhance competitive advantage?"

1.3 Research Objective

The aim of this study was to establish the strategies adopted by garment manufacturing export processing firms, in Nairobi, Kenya, in their attempt to achieve competitive advantage.

1.4 Value of the study

From the theoretical standpoint, this study contributes to the general understanding of how the resources a firm owns relates to the strategies it can adopt, more specifically, it provides one of the few detailed examinations on how strategy formulation and implementation is determined by the resources owned by the firm. This study also benefits scholars as it makes contributions to the existing body of knowledge in the subject under investigation and helps fill the knowledge gap that currently exists in this area.

In practice, the variables in this study enlightens managers on how the resource base of a firm affects the strategic management decisions. Managers can use the findings of this study to make informed decisions on what strategies to adopt and how to overcome the challenges that come with the implementation of such strategies, considering firms' resource capabilities. The findings here are of great value to the players in the EPZ sector in establishing strategies that drive them towards superior performance.

The study assists government and non-governmental organizations in formulating positive fiscal policies and in ensuring that export firms do not come up with monopolistic strategies so as to protect the citizens from exploitation. It informs government on how to regulate competition between indigenous and foreign companies in a move towards enhancing growth and ultimate industrialization.

As is demonstrated in literature review, this study acknowledges various theories and builds around Porter (1980) theory of competitive advantage. The study identifies the relevance of resources of a firm as it discusses the resource based view and the effects of social influences to a firm. The five forces in an industry as well as the generic strategies as discussed by (Porter, 1980) provided the basis for this research project.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Most studies in strategic management have focused on the earlier stages of the strategic management process i.e. situation analysis and strategy formulation (Johnson & Scholes 2008). Research to date does not recognize the fact that it is at the strategy implementation phase where the entire strategic management process often fails. Only about 10 to 30 percent of the chosen strategies get implemented (Raps & Kauffman, 2005). This chapter sought to highlight what other researchers have already done on the concept of strategy.

Strategy has been defined as the link a business firm makes between its resources and skills, and opportunities and threats existing in the external environment. According to John and Scholes (2006), strategy is the direction and scope of an organization over the long-term: which earns advantage to the organization by configuring their resources within a shifting environment, so as to meet the needs of the markets and realize stakeholder's expectation. Reliable examples of this focus are Michael Porter's industry analysis, competitive positioning and the empirical studies undertaken.

According to Andrews (1980) corporate strategy is the order of decisions made by a company which determine and reveal its objectives, purposes, or goals, bringing forth the key policies and plans to attain those goals, and outlines the range of business activities the firm is to undertake, the kind of economic and human organization it is or plans to be, and the nature of the economic and other non-economic benefits it intends to make to its shareholders, employees, customers, and communities among other stakeholders.

2.2 Theoretical Foundations

To achieve competitive advantage in an industry, a company must adopt, as soon as it possible can, to the competition environment with quick answers, to improve or reform the processes and implement its strategies as required by prevailing circumstances according to Price, (2003) cited by Shiplap, (2009).In addition, companies should develop their learning skills and capabilities since superior knowledge is the necessity to attain competitive advantage and create organizational competence (Shiplap, 2009).

There are several approaches to strategy which are informed by two basic frameworks: strategic fit and strategic stretch. Under strategic fit, the organization develops strategies by locating opportunities in their business environment and identifying resources and competencies to exploit the opportunities in the environment. Under strategic stretch, the firm seeks to leverage the resources and competencies to provide competitive advantage and yield opportunities. The models under this category include strategic intent and the resource based approaches.

Strategic intent means taking on the market leader head-on and requires fundamental changes in the game in a way that disadvantages the leader. When identifying the competition challenges in relation to a firm's competitors, certain resource gaps may create an even bigger challenge. Newman et al (1989) identifies three types of challenges that may hamper a firm's ability to grasp new opportunities; the fact that these strategies require massive amounts of resources, the regulatory issues that may be imposed by governments and the ability of the management team.

2.2.1 Resource Based View

Barney (1991) developed a framework hinged on two critical assumptions. First, that with respect to their resources, the firms within an industry are heterogeneous and, secondly, that these resources cannot be moved across firms, from one firm to another. Porter's strategic development process begins by looking at the position of a firm relative to others in a specific industry. According to Grant (1991), a firm starts by considering its environment and then selects the best strategy that may maximize its performance.

The resource based view holds that the strategy that a firm can adopt hinges on the resources held by the firm. It is actually an economic parameter used to establish the extent of strategic resources availability to a firm. Its key principle is that the basis for competitive advantage of a firm is founded on the exploitation of the bundle of valuable resources at the firm's disposal (Wernerfelt 1984, p172; Rumelt 1984, p557-558). Jay Barney (1991, p101) with reference to Draft (1983) argues that a company's resources comprises among others its assets, capabilities, processes and other firm attributes.

These resources have to be valuable, very rare, impossible to be perfectly imitable and substitutable. The resultant competitive advantage will be sustainable due to lack of substitution and imitation by the firm's competitors (Wernefelt 1984). Despite its useful suggestions, this strategy does not consider other factors other than the characteristics of resources and the resource markets so as to explain existing firm heterogeneity. For instance it does not precisely consider the social context in which resource mobilization decisions are made and how the context influences firm's sustainability variations.

2.2.2 Institutional Theory

A strategy must permeate the every day-to-day life of the firm to be effectively implemented (Pearce & Robinson 1997). Such institutionalization requires a fit between the processes like structures, resources, systems, leadership and culture. Institutional theory looks at the effects of social influence and forces for social adaptability in influencing organizations' decisions. The researcher recognizes the fact that sustainable competitive advantage enjoyed by a firm is majorly informed by the institutional context of the firm. Adopting formalized elements, enabling isomorphism with the current institutional environment, speeds up the chances of a firm's survival.

The institutional context here implies the acceptable norms or beliefs in a business environment that define or enforce socially recommended business behaviors (DiMaggio, 1991). At individual firm level, the institutional context comprises values and norms of the decision maker; at the firm level, politics and culture of the organization are involved; and within competing firms, public and regulatory pressures and industry-wide strategically proactive in the way they adapt to environmental challenges.

As discussed by DiMaggio (1991), the role of institutional influence is specifically pronounced in explaining organizational phenomena in controlled industries where clear rules, structures, external regulation and practices inform organizational forms and operations. This theory suggests that the major impetus towards homogeneity of such organizations arises from external constituents such as suppliers, resources and customers, regulatory agencies, and other competing firms (DiMaggio and Powell 1983).

2.2.3 Porter's Theory of Competitive Advantage

Porter (1980), provides a model that illustrates an industry as being continuously under the influence of five forces. The framework establishes five forces that determine the level of competition among firms in an industry and therefore informs how attractive an industry is. Attractiveness here implies the overall profitability of the industry in which the business takes place. An industry that is not attractive is one where the combination of all the five forces, on the contrary, hinders the overall business profits.

Porter's five forces model helps business managers to have an advantage over their competitors by better understanding the context within which their firms compete. The five forces influence the intensity of industry competition hence its profitability and the very important factors considered in determining the industry strategy. The forces that influence the extent of competition in an industry include; threats of new entrants, the intensity of competition among existing rival firms, threats from substitute products, the bargaining power of suppliers and the buyers bargaining power (Porter, 1980).

Hill and Gareth (2012), state that a firm will have a higher competitive advantage when it earns greater profits than the average profitability and profit growth of other firms competing for the same set of customers at a given time. Hill and Gareth (2012), further outline four factors that enable a firm to acquire and continue earning competitive advantage. These include; business efficiency, high quality goods, innovation and customer responsiveness. Customers will always need goods and services of high quality, at the least possible cost, that should however meet their needs, or solve their problems.

2.3 Generic Competitive Strategies

According to Porter (1990), a firm positions itself by leveraging its strengths. He classifies these strengths in the following categories; cost advantage and differentiation. By focusing on these strengths, three generic strategies emerge. They include cost leadership strategies, differentiation strategies and focus strategies. Cost leadership strategy calls for a firm to be the low cost producer at a specific quality level. The firm either sells its products at a given average price to earn higher profits than other firms or sells its products at a price lower than the average market price in the industry.

Differentiation strategy implies developing products or services so as to possess unique attributes that are of value to the consumers and which the consumers perceive to be superior than or are highly differentiated from those offered by the competitors (Porter, 1980). The value addition as a result of the unique attributes of the products allows the firm to demand premium prices for the products. A firm employing the differentiation strategy hopes to recover the extra cost incurred by charging a premium price.

Under focus strategy, the firm focusses only on a small segment of the market and into that portion it attempts to apply either the cost advantage or differentiation strategies. The target segment also known as niche is defined by certain geographic uniqueness, their special needs in using those products or unique product attributes that appeal only to the members of that particular market segment. A firm employing the focus strategy normally realizes a higher level of customer loyalty (Porter 1980).

These strategies may not necessarily be compatible with each other. However, it is possible to combine both the differentiation and focus strategies and in this case the firm normally passes on to its consumers any extra costs of production incurred due to lack of available close substitute products. If a firm aims to achieve competitive advantage on all fronts, it may fail to attain any advantage. For this reason, Porter (1980) suggests that to be successful into the future, a firm should select only one suitable generic strategy at a time. A firm with a combination of all these generic strategies may end up being “stuck in the middle” and may never achieve any competitive advantage.

2.4 Competitive Strategy and Competitive Advantage

A firm enjoys competitive advantage only when its strategy makes it able to attract customers and defend the same customers from other competitive industry forces. Pearce and Robinson (1997) argue that there are many ways of achieving competitive advantage with all revolving around offering the buyers what they consider to be of superior value than that offered by the competitors. Delivering superior value always requires that a firm performs its value chain activities differently from that of its rivals and building competencies and resource capabilities uniquely.

Today's business world is driven by hyper-competition where too many businesses are competing for too few business opportunities. There is not enough demand for each goods or service provider. Consequently, the established foundations of competitive advantage such as economies of scale and elaborate budgetary allocations for marketing may not be as effective today as they were in the past. Colley and Hardy (2004) emphasize the role of analyzing the extent of competition before coming up with strategies as the levels and patterns of the performances of rivals affect the strategies that would otherwise earn competitive advantage against the firm's competitors.

According to Mugo (2009), the nature of the competitive landscape results in a perilous business world, where the investments needed for competition on a global scale are enormous, the strategic expectations are high and the failure consequences are enormous. The common problem a firm faces in gaining competitive advantage to overcome dwindling returns and low sales are the challenges of identifying the right strategy that works. Box and Watts (2000) argue that the real challenges firms face before adopting any strategy is in recognizing all support activities and discharging them correctly in comparison to their competitors. Therefore, identifying and fitting the organizational internal practices to the needs for strategic success helps the firm to accomplish its strategy.

When employing the differentiation strategy, various skills, resources and organizational elements will be required vis-à-vis the competition. As Meister (1994) puts it, intense competition in the market place compels a firm to compete by differentiating itself by enhancing adequate human resource systems and reorganizing its internal processes. Firms employing this strategy require very strong marketing abilities and have to invest strongly in basic research. They must build a strong reputation for quality and enjoy good cooperation from its members in the distribution channel.

The other response strategy is the focus strategy. Firms that adopt this strategy have to deal with the risks associated with it. The difference in cost between the firms that compete on broad range and those that are focused may become so wide so as to limit the cost advantages enjoyed by serving a small segment of the market or to overcome the differentiation gained through focus. The variations in the desired products and services between the target market and the whole market may be very narrow. Competitors may also create sub segments within the strategic market segment targeted by the focused firm and outdo the focused firm. When firms attempt to adopt certain strategies to gain competitive advantage, such competitive advantage may prove to be elusive due to certain resource gaps (Grant, 1991).

2.5 Challenges of the Implementation of Competitive Strategies

Lamb and Boyden (1984), outlined three competitive challenges that inhibit firms' capabilities to exploit new available resources. These include financial capabilities, industrial or governmental policies, and the capabilities of the firm's owners or managers. The constraints that firms face during strategy implementation include lack of financial capabilities, unskilled staff, marketing incapability, diverse customer needs, turbulent external environment, government policies and the inability to harmonize all the firms activities to implement the chosen strategy (Porter 1998;Ansoff and McDonnell,1990).They suggest that the actual limitation of a generic strategy implementation is the failure to recognize all the supportive activities or failure to put such activities coherently together.

The main challenge of cost leadership is that rivals may easily provide similar goods and services at a lower cost. Such strategy may be unsustainable as the success of competitor in in achieving similarity may render the cost leader to be at the same level with competitors. This ability by rivals to copy a company's product features and processes also makes that strategy commonplace. Johnson and Scholes (2002) explain that firms that adopt the cost leadership strategy must compare themselves with their competitors on several aspects including how their competitors employ process re-engineering skills.

The major limitation of differentiation strategy is the failure by firms to maintain the perceived unique attributes. If not quickly changed, competitors may imitate and copy the features thus eroding its uniqueness (Porter, 1980). With high costs of differentiation, customers may find it difficult to maintain brand loyalty as the extra will be passed to the customers who may be overburdened. The major limitation of the focus strategy is that it can be overtaken by the ever changing technological advancements and changes in preferences. Also, once focus is on one segment it is not easy to change to another one.

2.6 Empirical studies and knowledge gaps

In a highly competitive market with buyers becoming more rational and with numerous choices, firms may only succeed by reorganizing their value delivery processes, choosing, providing and communicating superior values than their competitors. Kotler (2007) suggests that with the advancement in technology like internet communication, modern day customers are getting more informed and demand more from companies than just to connecting with them, satisfying them or even delighting them.

A study by Awino (2013) on strategic planning practices undertaken by ICT SMEs in Kenya found out that a large number of the SMEs practise strategic planning activities and in fact they have formally written plans. Earlier researchers had found out that organizations with formal plans about their strategies perform better than those that have no plans (Allison 2005; Akinyele 2007). Drawing a formal plan implies that a firm has a guideline from which it is able to measure, evaluate, direct and control its performance and operations.

Brennan (1991), on the study of decisions made by small retailers as a strategy against discounters showed that offering customized services, delivering high quality products and services were most successful strategies applicable in the market. However, it is not possible for a firm to practise all these strategies. Moreover, no strategy can succeed under all prevailing business circumstances. For these reasons therefore, that this study evaluates these strategies adopted by firms so as to identify the one with greatest returns.

The establishment of the levels to which the strategies are adopted, and their successful implementation can only be achieved when appropriate research methodology is adopted and used correctly. As established in previous studies, most strategies fail at implementation stage. As Chandler (1962) defines strategic management as the determination of the basic long- term goals of a firm, the adoption of course of action and the allocation of resources necessary for carrying out these goals, the right methodology should thus, precisely determine the exact strategies adopted.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This topic highlights the choice of the methodology to be used in conducting the research. The method adopted must conform to the objectives of the study including research design, population of study, data collection method and the final data analysis. The selection of data collection method is one of the most important steps in creating a design since it is the method that impacts on the quality of results and the findings and deductions made at the end of the research project.

A cross-sectional study was adopted and used in the collection of descriptive data about the strategies used across the export processing firms. This was a representation of the views of the management at different levels comprising the top level, the middle level and the lower level managers. This was in line with previous research by Beaumaster (1999), which used cross-sectional survey to study management practices by SMEs in Kenya.

This study was a census of the entire garment processing export firms in Nairobi, Kenya. It was descriptive study about phenomena. Dooley (2007) defined a research design as an outline or plan that is used to generate answers to specific research questions. To address these processes, the study relied on qualitative data.

3.2 Research Design

This study adopted a descriptive cross-sectional study method so as to establish the phenomenon across all the firms under study at the same time. The cross-sectional survey enabled data to be collected across a large number of organizations at one point in time (Cooper & Schindler, 2006).This study therefore focused on nine firms, which represented the total number of the existing garment manufacturing firms in Nairobi; hence a census. The cross-sectional study shortened the time taken for data collection since data was collected across all the firms at the same tame.

A cross-sectional study was helpful in assembling descriptive data on strategies adopted across different export processing firms. This study represented views of the staff at different levels comprising top managers, middle level and lower management and provided an overview of their ideas as they are in the various firms at the time of research. This enhanced favorable comparisons across the firms under study in order to establish trends in terms of strategies adopted, and how favorable the strategies are.

Descriptive research design was used to include fact finding inquiries of various kinds, the use being to explain the state of affairs as they exist (Kothari, 2004). This study relates phenomena so as to make predictions. To obtain more information, the research also relied on internet sources and brochures with information about the firms under study. These sources provide data about the firms' mission statements, product lines, business expansion programs and general industry information in the garment processing sub sector which is the subject of this study.

3.3 Population of Study

Target population refers to the specific population about which information is sought. Ngechu (2004) states that a population is a well described set of people, services, elements, events, group of items or households under investigation. This study was carried out in Nairobi, targeting nine export processing firms. The population of this study was therefore, all the nine garment manufacturing firms as attached in appendix II.

According to Babbie (2002) population is a group under investigation, information from which is used to make reference. This research targeted nine export processing firms in Nairobi. Garment manufacturing firms were targeted since no available research has specifically focused on them despite their impact on the garment market. The study was a census since all the nine garment firms in Nairobi were examined.

This population included only those firms found within Nairobi, and only those that manufacture garments. Of the total population, six firms are based in Athi- River zones, two in Ruaraka area and one in Industrial area within the zones specified in appendix II. According to (Mugenda & Mugenda, 2003), target population is a group of items from which a researcher generates his data. All these firms are registered (EPZA, 2015).

3.4 Data Collection

Data was collected by use of questionnaires as the main data collection tool with both structured and unstructured questions. The primary research data was collected from three categories of employees, namely the owners and top managers, middle level managers and lower level managers of the EPZs in Nairobi using a questionnaire that comprised of both structured and unstructured questions. Secondary data from internet sources, previous research, fliers and brochures was used only where necessary additional information about the firms were required.

According to Kothari (2004), questionnaire method assists in collection of accurate and reliable information as the respondents answer questions freely without being coerced. The researcher personally collected the data from the managers of the firms using the questionnaires. This formed part of the primary data for analysis as it represented the original views of the managers. Where the respondents were not available, a drop and pick method was used, where the questionnaires were picked later from the firms.

The questionnaire was based on establishing which of the strategies under study are employed by the different firms and to what extent, in an attempt to attain competitive advantage. This was in an attempt to identify the sources of competition in this ever changing environment and how the organizations develop corresponding strategies. As indicated in the literature review, the questionnaire sought to find the answers as to which of the generic strategies of cost leadership, differentiation and focus are employed by the firms and whether resource based view strategies are also adopted.

3.5 Data Analysis

Quantitative data was analyzed using measures of central tendency such as the mean mode, variance and standard deviation. Frequency distribution tables and were used to organize, summarize and display the collected data in a meaningful manner that aided in describing and interpreting the outcome. In so doing, the strategies adopted were clearly outlined in such a way that they were easy to interpret.

The data collected was evaluated to determine credibility, completeness, accuracy as well as its consistency with the study. The analysis was qualitative in its very nature since the variables for study described relationships among phenomena. Factor analysis method was used so as to simplify the data and reduce the dimensions of the observations for theory testing.

Descriptive statistics enables one to summarize and organize data in a logical and meaningful manner. Proportions were used to determine the popularity in terms of strategies used by the organizations and their challenges. Frequencies aid in analyzing data size, type and numbers where coding and classification are for better interpretation.

Upon establishing the appropriate data collection and analysis methods, the next step was to proceed to conduct the actual research. The tools used to conduct the research must be reliable as Mugenda and Mugenda (2003) defines reliability as a measure of the extent to which a research tool yields consistent results for any repeated trial. The data collected should thus be organized for accurate analysis, discussion and final presentation.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study from the comprehensive analysis of the data collected. The data has been analyzed and the findings presented and interpreted in relation to the objectives and the research questions being investigated in the study. The study sought to establish the competitive strategies adopted by garment manufacturing EPZs in Nairobi, Kenya. The study achieved 89% response rate with 8 out of the 9 EPZs responding to data collection tool. This response rate was considered suitable for analysis.

Part I of the questionnaire sought to find out the basic demographic information about both the respondents and the firms they represent. The researcher targeted top level managers involved in the strategic decision making process of their firms. The study established that out of all the firms being investigated in this study, the one with the least number of staff had 970 employees while the one with the highest number of staff had 6500 employees. A total of 17 questionnaires were fully filled and returned by the respondents in the 8 firms.

Part II of the questionnaire sought to establish the competition challenges faced by the firms in the course of doing their business. It is important to note that the choice of strategy by a firm is informed by the nature of challenges it faces. Part III of the questionnaire sought to identify the strategies employed by the firms as they compete in the industry. This research focused on four strategies of cost leadership, differentiation, focus and the resource based view strategy.

4.2 Product Range

The total number of questionnaires filled and returned for the 9 firms were 17, representing returns for only 8 firms. One firm failed to admit our questionnaires, leaving only 8 firms giving their responses.

4.2.1 Nature of products

Table 4.1:Nature of Products

		Frequency	Percent
Valid	fully processed garments	16	94.1
	semi processed garments	1	5.9
	Total	17	100.0

Source: Research data

Of all the garments produced by the firms, 16 respondents, representing 94.1% of the total population, said their garments were fully processed, whereas only 5.9% of the population said their products were semi processed. This implies that majority of the garments are already finished products directed at the final customer.

4.2.2 Target Markets

Table 4.2:Target Markets

		Frequency	Percent
Valid	foreign market	14	82.4
	Both local and foreign	3	17.6
	Total	17	100.0

Source: Research data

Foreign market constitutes 82.4% of the target market of the finished products whereas only 17.6% of the products are sold in the local market. The implication here is that the firms are export oriented. The government through Kenya Revenue Authority imposes restrictions to the firms under EPZ that limits their ability to sell their products to the local market.

4.3 Challenges of Competition

Part II of the questionnaire sought to establish to what extent the firms face various competitive challenges in the garment processing sector. These are the challenges that limit the firms from optimizing their potential in the way they conduct their business.

Table 4.3:Declining sales

		Frequency	Percent
Valid	Not at all	6	35.3
	some extent	3	17.6
	moderately	7	41.2
	large extent	1	5.9
	Total	17	100.0

Source: Research data

A large number of participants (7 out of 17) translating to 41.2% said that they were moderately affected by declining sales whereas 35.3% of the participants said that they were not affected by the declining sales at all, while just 5.9% of participants said that they were affected by the declining sales to the largest extent.

Table 4.4:Reduced market share

		Frequency	Percent
Valid	not at all	8	47.1
	some extent	5	29.4
	moderately	1	5.9
	large extent	3	17.6
	Total	17	100.0

Source: Research data

A large number (47.1%) of the garments producing companies are of the opinion that they are not affected at all by the reduced market share while a small number (17.6%) of the companies said that they were affected by the reduced market share to the largest extent. This implies that the existing firms may not be able to meet the existing market demands.

Table 4.5:Employee turnover to other firms

		Frequency	Percent
Valid	not at all	5	29.4
	some extent	11	64.7
	moderately	1	5.9
	Total	17	100.0

Source: Research data

Employee turnover affects majority of this textile companies with 64.7% of the population agreeing that it affects them to some extent, whereas only 29.4% said that they are not affect them at all. This could be attributed to the low wages paid by the firms that drives the employees to look for better pay elsewhere.

Table 4.6:Other firms offer better pay

		Frequency	Percent
Valid	not at all	10	58.8
	some extent	4	23.5
	moderately	2	11.8
	large extent	1	5.9
	Total	17	100.0

Source: Research data

There was a general agreement that among 58.8% of the respondents that they did not have any challenge by other firms offering better pay. Only 23.5% agreed to some extent, and 5.9% acknowledging that this was a major challenge. The reason could be that generally, these garment firms employ casual laborers who are lowly paid.

Table 4.7:Other firms offer better customer service

		Frequency	Percent
Valid	not at all	11	64.7
	some extent	3	17.6
	moderately	2	11.8
	large extent	1	5.9
	Total	17	100.0

Source: Research data

64.7% of the firms were not of the opinion that other firms offer better customer services than them. 17.6% of them agreed to some extent whereas only 5.9% to a large extent. The reason being that most of these firms have their own set of customers. These customers have their representative in these firms who represent the interests of their clients.

Table 4.8:Other firms offer quality products

		Frequency	Percent
Valid	.00	1	5.9
	not at all	13	76.5
	some extent	1	5.9
	moderately	1	5.9
	very large extent	1	5.9
	Total	17	100.0

Source: Research data

Offering of quality product is not a challenge at all to 76.5% of the participants where only 5.9% of the respondents highlighted that it affects them to a largest extent, and 5.9% of the participants refused to answer this question. The quality of the products is always maintained, with raw materials being sourced from reliable customers and the standards maintained.

Table 4.9:Other firms have better equipment

		Frequency	Percent
Valid	not at all	8	47.1
	some extent	7	41.2
	moderately	1	5.9
	large extent	1	5.9
	Total	17	100.0

Source: Research data

Better equipment is not a challenging factor to 47.1% of the textile companies that responded that it does not affect them at all, this half of the total population. Also a large number of this population (41.2%) was affected by it to some extent.

Table 4.10:Other firms have highly qualified staff

		Frequency	Percent
Valid	not at all	11	64.7
	some extent	5	29.4
	moderately	1	5.9
	Total	17	100.0

Source: Research data

Challenge of getting highly qualified staff is not a problem at all to 64.7% of the participants, while 29.4% are affected to some extent but only 5.9% are affected to the large extent. The firms majorly employ untrained staff who are trained on the job. Only a small number of professionals are employed to provide specific skills at work.

Table 4.11:Other firms have adequate staff

		Frequency	Percent
Valid	not at all	11	64.7
	some extent	4	23.5
	moderately	2	11.8
	Total	17	100.0

Source: Research data

Having adequate staff is not seen as a challenge at all to 64.7% of the participants but is seen as a challenge by 23.5% of the participants to some extent and 11.8% moderately to participants. The challenge of staffing is addressed promptly as the need requires due to the readily available workforce as a result of a big number of casual job seekers.

Table 4.12:Other firms have stronger financial base

		Frequency	Percent
Valid	not at all	10	58.8
	some extent	4	23.5
	moderately	2	11.8
	large extent	1	5.9
	Total	17	100.0

Source: Research data

Accepted to a large extent by 5.9% of the respondents, 58.8% of the respondents do not consider this a challenge at all. These firms are generally able to provide their machinery and equipment at their own cost as long as they identify a viable business opportunity. That they are able to fund their projects as long as it will enhance growth of their business.

Table 4.13:Other firms have loyal clients

		Frequency	Percent
Valid	not at all	13	76.5
	some extent	1	5.9
	moderately	1	5.9
	large extent	1	5.9
	very large extent	1	5.9
	Total	17	100.0

Source: Research data

This is not a challenge at all to 76.5% of the respondents, with only 5.9% seeing it as a serious challenge. The firms suggest that they all have an equal opportunity for loyal clients. That it is upon the individual firms to provide for the needs of their clients.

Table 4.14:Other firms have better storage facilities

		Frequency	Percent
Valid	not at all	9	52.9
	some extent	3	17.6
	moderately	5	29.4
	Total	17	100.0

Source: Research data

Storage facility is not a challenge to 52.9% of the respondents. Only 17.6% notice it is a challenge to some extent, with 29.4% having a moderate challenge with storage of their products. The firms have the capacity to store their products awaiting for sale, and the raw material awaiting production in a way that does not undermine the value of the goods.

Table 4.15:Other firms market their products better

		Frequency	Percent
Valid	not at all	10	58.8
	some extent	6	35.3
	very large extent	1	5.9
	Total	17	100.0

Source: Research data

58.8% of the respondents have no challenge at all with marketing their products. 35.3% to some extent have a challenge while only 5.9% have a marketing challenge to a very large extent. It is important to note that the high number of respondents indicating the 35.3% implies that if not addressed, the marketing challenge may seriously derail the performance of the firms.

4.4 Competitive Strategies Adopted

In this part, the research investigated the various competitive strategies adopted by the garment processing firms in addressing the competitive challenges identified in part II of the study. These strategies have been highlighted as low cost, differentiation, focus and resource based view strategies.

4.4.1 Low cost strategies

Under low cost strategy, a firm opts to sell its products at the same price as its competitors, or offers its products at a price lower than the market price. This low price does not however compromise the quality of the goods produced for sale.

Table 4.17:Statistics

		products offered at the same price	products at lower price
N	Valid	17	17
Mean		2.5882	3.2353
Std. Deviation		.93934	1.88843

Source: Research data

Majority of the firms believe that their products are offered at a price lower than the market price, at a mean of 3.23. Quite a number of the respondents believe that their products are offered at the same price as the existing market price, at a mean of 2.6. The standard deviation for offering products at same price as market price is higher at 0.9 compared to offering goods at lower price at 1.89.

Table 4.18:Offering products at lower price than other firms

		Frequency	Percent
Valid	not at all	6	35.3
	some extent	1	5.9
	moderately	1	5.9
	large extent	1	5.9
	very large extent	8	47.1
	Total	17	100.0

Source: Research data

Majority of the respondents (47.1%) stated that their firms, to a very large extent, offer products at lower price than other firms. While a significant no (35.3%) stated that their prices are not lower than that of other firms. So if the firms apply low cost strategy, then the 35.3% offer their goods at the same price as other firms in the industry.

Table 4.19:Offering products at the same price as other firms

		Frequency	Percent
Valid	Not at all	3	17.6
	some extent	3	17.6
	moderately	9	52.9
	large extent	2	11.8
	Total	17	100.0

Source: Research data

52.9% of the respondents stated that their prices could moderately be the same as others. The implication here is that majority of the firms do not compete on prices. This could also mean that the firms do not target the same set of customers or they compete on other attributes other than pricing.

4.4.2 Differentiation strategy

Under differentiation strategy, a firm opts to provide goods of high quality which are highly differentiated from those of the competitors at a premium price. The high cost incurred in producing such goods is the passed to the customers in terms of charging high prices.

Table 4.20: Statistics

Unique Product

N	Valid	17
Mean		3.1176
Std. Deviation		1.40900

Source: Research data

With a mean of 3.1, a big number of the firms offer products that are unique in nature. This implies that they only supply a given set of customers with specific needs who incur high costs to obtain the products. These customers must be willing and able to pay premium prices for their high quality demands to be met. These firms must maintain their contact with this set of customers to ensure that the product match the desires of the clients.

Table 4.21:Offering unique product features to customers

		Frequency	Percent
Valid	.00	1	5.9
	Not at all	1	5.9
	some extent	3	17.6
	moderately	5	29.4
	large extent	4	23.5
	very large extent	3	17.6
	Total	17	100.0

Source: Research data

There is a general agreement that the products have unique features depending on the customer needs. Only 5.9% of the respondents do not offer unique features. However, the firms are not yet decided on the extent of differentiation to undertake and this explains the overall distribution across all the ratings. Nonetheless, there is a tendency towards differentiating the products with time.

4.4.3 Focus strategy

Under this strategy, a firm opts to satisfy a given unique set of customers (market niche) in a manner that is unique to the needs of that particular group of customers. A firm may opt to focus on delivering its products at low cost to its selected customers, or supply highly differentiated goods at a premium price to its target customers. A firm focusing on differentiation must continuously improve so as not to be imitated by other fierce competitors.

Table 4.22:Statistics

		offering low cost product to a special market	offering unique product features to a special market
N	Valid	17	17
Mean		2.3529	3.4118
Std. Deviation		1.22174	1.50245

Source: Research data

With a mean of 3.4, more firms opt for offering unique product features to a special market thereby charging premium prices. Less preference is given to offering low cost products to a special market with a mean of 2.4. The preference is therefore to offer unique product features and charge highly.

Table 4.23:offering low cost product to a special market

		Frequency	Percent
Valid	not at all	5	29.4
	some extent	6	35.3
	moderately	1	5.9
	large extent	5	29.4
	Total	17	100.0

Source: Research data

Offering low cost to a special market is fairly distributed across the firms with only 29.4% of the respondents stating that they don't apply this strategy. The goods offered by the firms under study are generally cheaper compared to the prices offered by their competitors.

Table 4.24:offering unique product features to a special market

		Frequency	Percent
Valid	not at all	3	17.6
	some extent	2	11.8
	moderately	2	11.8
	large extent	5	29.4
	very large extent	5	29.4
	Total	17	100.0

Source: Research data

Majority of the respondents tend to agree that they offer unique products to a special market segment, from 11.8% agreeing to some extent and 29.4% agreeing to a large extent. This supports the view that most of the garment firms are slowly tending towards differentiation in order to meet unique demands of their customers. The fair spread of the numbers across the ratings suggests that the firms are not fully differentiated.

4.4.4 Resource based strategies

Table 4.25:large asset base

		Frequency	Percent
Valid	Not at all	1	5.9
	some extent	1	5.9
	large extent	8	47.1
	very large extent	7	41.2
	Total	17	100.0

Source: Research data

With over 88% of the respondents agreeing that their firms have a large asset base, this strategy is widely accepted and adopted by the firms. There is a belief by the managers of the firms that having a large asset base is a vital strategy for success that must be immediately adopted for firms to operate optimally.

Table 4.26:efficient distribution channel

		Frequency	Percent
Valid	moderately	5	29.4
	large extent	4	23.5
	very large extent	8	47.1
	Total	17	100.0

Source: Research data

77% of the respondents stated that their firms have efficient distribution channel. They support the view that there has to be perfect flow of raw materials from their suppliers to ensure efficient production followed by an equally efficient movement of goods to the market.

Table 4.27:skilled and qualified staff

		Frequency	Percent
Valid	some extent	1	5.9
	large extent	12	70.6
	very large extent	4	23.5
	Total	17	100.0

Source: Research data

Over 93% of the firms believe that they have highly skilled and well qualified staff. This happens since the firms undertake to train their own staff who specialize only in a particular task in the production process. With specialization, the staff are able to perfect their work and minimize time taken to accomplish the task.

Table 4.28:state of the art facilities and machinery

		Frequency	Percent
Valid	some extent	1	5.9
	moderately	4	23.5
	large extent	7	41.2
	very large extent	5	29.4
	Total	17	100.0

Source: Research data

With over 80% acknowledging the availability of state of the art facilities, there is a general agreement that such facilities enhance better production by minimizing wastages and increasing the pace of work. That with automated machine which are easy to operate, the employees find it easy to learn and adopt to the working environment.

Table 4.29:knowledge in garment

		Frequency	Percent
Valid	large extent	4	23.5
	very large extent	13	76.5
	Total	17	100.0

Source: Research data

Knowledge in garment manufacturing is the greatest attribute the firms enjoy. With experts attached to the machines who are able to train the staff, the firms boast of their high skilled workforce who are aware of their expectations and are able to deliver the designs requested by their clients. In is also informed by the existence of continuous training done to the new staff before being deployed to the various sections.

Table 4.30:conducive organizational culture

		Frequency	Percent
Valid	moderately	2	11.8
	large extent	11	64.7
	very large extent	4	23.5
	Total	17	100.0

Source: Research data

The firms have their own set organizational cultures that they adhere to enhance productivity. Such culture include work schedules, relationship among staff and their bosses, chain of commands and codes of conduct which are strictly adhered to. With over 87% of the respondents stating that they have a conducive organizational culture for work, then these firms encourage total adherence to set standards.

Table 4.31:reputation of quality processing

		Frequency	Percent
Valid	large extent	8	47.1
	very large extent	9	52.9
	Total	17	100.0

Source: Research data

Quality processing standards are maintained across the firms with over 99% agreeing to this question. It is important to note that the customers always have their own interpretation of quality and hence determine their buying characteristics. Firms must however strive to ensure that the quality of their goods always meet the market demands.

Table 4.32:huge budget to market our products

		Frequency	Percent
Valid	some extent	2	11.8
	moderately	2	11.8
	large extent	8	47.1
	very large extent	5	29.4
	Total	17	100.0

Source: Research data,

This is an indication the firms are willing to undertake aggressive marketing for their products in order to improve sales. This could be as a result of fierce competition in the industry or the huge geographical distance between the firms and their customers. This is proven by the fact that most of the products of these firms under study are sold in foreign markets. Reaching such markets requires heavy investment in marketing across borders, hence the general agreement of over 90%.

Table 4.33:service delivery stands out from competition

		Frequency	Percent
Valid	.00	1	5.9
	some extent	1	5.9
	moderately	3	17.6
	large extent	6	35.3
	very large extent	6	35.3
	Total	17	100.0

Source: Research data

The manner in which the goods are delivered to the clients matters to the firms to the extent that over 85% of the respondents appreciate this strategy. This is informed by the fact that a satisfied customer will always maintain their contacts with the suppliers. As was discussed earlier, most of these firms have their own set of customers who they strive to satisfy their needs.

Table 4.34:we poses general goodwill from our clients

		Frequency	Percent
Valid	moderately	1	5.9
	large extent	6	35.3
	very large extent	10	58.8
	Total	17	100.0

. Source: Research data

Possessing a general goodwill from clients is highly applied by the firms with the rate of application from moderate to large extent exceeding 70%. That their client are willing to understand and cope with the challenges faced by the firms. This is an attribute of customer loyalty developed over the time of doing business. This loyalty must be appreciated by delivering goods that match customer specifications

4.5 Factor Analysis

This is a statistical technique used to reduce a large number of variables into fewer factors. The technique extracts maximum common variance from all variables and puts them into a common score. This therefore distinguishes the common factors from the uncommon.

Table 4.35:Descriptive Statistics

	Mean	Std. Deviation
focus strategy 1	2.3529	1.22174
focus strategy 2	3.4118	1.50245
differentiation strategy	3.1176	1.40900
low cost strategy 1	3.2353	1.88843
low cost strategy 2	2.5882	.93934

Source: Research data

From above it is evident that:

Some firms focus on offering their products at a price lower than market price, with a mean of 2.4. Majority of the firms focus on offering their products at the same price as the competitors, with a mean of 3.4. There is a growing tendency to produce differentiated product for specific customers in the market.

Table 4.36:Correlation Matrix

		focus strategy 1	focus strategy 2	differentiation strategy	low cost strategy 1	low cost strategy 2
Correlation	focus strategy 1	1.000	.324	.229	.666	.570
	focus strategy 2	.324	1.000	-.024	.492	-.049
	differentiation strategy	.229	-.024	1.000	.177	.039
	low cost strategy 1	.666	.492	.177	1.000	.481
	low cost strategy 2	.570	-.049	.039	.481	1.000
Sig. (1-tailed)	focus strategy 1		.102	.189	.002	.008
	focus strategy 2	.102		.463	.022	.425
	differentiation strategy	.189	.463		.249	.441
	low cost strategy 1	.002	.022	.249		.025
	low cost strategy 2	.008	.425	.441	.025	

a. Determinant = .208

Source: Research data

There is a high positive correlation in the low cost strategy of 0.666 or 66.6% and focus. This implies that most of the firms focus on providing their products at prices lower than that of their competitors in the market. Among the three generic strategies, cost leadership is the most adopted strategy by the firms. There is a weak positive correlation between the differentiation strategy and low cost strategy. This implies that it is not possible to provide differentiated products at low cost.

Table 4.37:KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.583
Bartlett's Test of Sphericity	Approx. Chi-Square	21.229
	df	10
	Sig.	.020

Source: Research data

Since KMO value is 0.583, this is satisfactory for factor analysis to proceed.

Bartlett's Test of sphericity is 0.020 which is less than 0.05. The significance level is small enough to reject the null hypothesis. This means that correlation matrix is not an identity matrix.

Table 4.38:Factor Matrix

	Factor	
	1	2
low cost strategy 1	.844	
focus strategy 1	.832	
low cost strategy 2	.578	-.469
differentiation strategy		
focus strategy 2	.527	.734

Extraction Method: Principal Axis Factoring.

Source: Research data

From the table above the strategy heavily adopted is low cost strategy with values of above 0.8 which is acceptable. Specifically, the firms opt for offering products at prices lower than their competitors. Some of the firms offer their prices at the prevailing market prices.

4.6 Discussion of Research Findings

The core responsibility of the managers is to come up with strategies to best utilize the resources in their immediate environment. Competitive advantage, according to Porter (1980), is the strategic advantage a business enterprise has over its competitors within its competitive industry. Part I of the questionnaire sought to find out the basic demographic information about both the respondents and the firms they represent. The study established that the least number of staff in a firm was 970 while the highest was 6500. 94.1% of the firms produce fully processed garments while 5.1% of the products are semi processed. 82.4% of the products are sold in foreign market while 17.6% are sold in the local market.

Part II of the questionnaire sought to establish the competition challenges faced by the firms. Lamb and Boyden (1984), outlined three competitive challenges that inhibit firms' capabilities to exploit new available resources. These include financial capabilities, industrial or governmental policies, and the capabilities of the firms' managers. The greatest challenge to competition across all the firms under this study are the declining sales and marketing challenges which affect over 41% of the respondents.

Part III of the questionnaire sought to identify the strategies employed by the firms as they compete in the industry. This research focused on Porter (1980) generic strategies of cost leadership, differentiation and focus. Majority of the respondents (47.1%) stated that their firms, to a very large extent, offer products at lower price than other firms, while a significant number, (35.3%) stated that their prices are not lower than that of other firms.

It is important to note that all the respondents highly rated the resource based view strategies with the highest at100% and the least at 70.6%. This implies that these are the most fundamental strategies that the firms first consider as they settle in the industry. According to Grant (1991), a firm starts by considering its environment and then selects the best strategy that may maximize its performance. These firms therefore, prioritize these resources as the basis for earning competitive advantage.

From the analysis, the firms draw their competitive advantage from the resources that they have. This is in agreement with (Wernerfelt 1984, p172; Rumelt 1984, p557-558) where they say that the basis for competitive advantage of a firm is founded on the exploitation of the bundle of valuable resources at the firm's disposal. The firms value knowledge in garment processing, reputation of quality products, general good will from the clients and highly skilled staff rating highest. Possession of large asset base, conducive organizational culture, huge budget for marketing and state of the art facilities are equally rated highly.

In the Factor analysis, there is a weak positive relationship between focusing on low cost (focus strategy1) and the focusing on differentiation (focus strategy 2) of 0.324 but there is more significant relationship between them. This implies that firms are not able to offer unique features to a special market at low cost. This is in line with (Porter, 1980) where he states that a differentiated product attracts premium prices. The high cost incurred in creating such products are passed on to the customers in terms of charging higher prices.

The low cost strategy by these firms is aided by the cheap labor that is readily available and the tax holiday granted by the government of Kenya. This is supported by Hill and Gareth (2012), who state that a firm has a higher competitive advantage when it earns greater profits than the average profitability and profit growth of other firms competing for the same set of customers at a given time. Hill and Gareth (2012), further outline four factors that enable a firm to acquire and continue earning competitive advantage. These include; business efficiency, high quality goods, innovation and customer responsiveness.

From the analysis, the strategy that is heavily adopted is the Resource Based View. Most of the firms under this study focus on establishing all the necessary capital and human resources as a means to attaining competitive advantage. According to Porter (1990), a firm positions itself in the industry by leveraging its strengths. It is upon these resources that the firms then seek an appropriate generic strategy to accomplish their business.

A hybrid strategy of focusing on low cost comes as the second most preferred strategy. A firm employing the focus strategy realizes a higher level of customer loyalty (Porter 1980).It is important to note that firms in the garment industry are slowly embracing differentiation of their products to meet special market needs. As Meister (1994) puts it, intense competition in the market place compels a firm to compete by differentiating itself by enhancing adequate human resource systems and reorganizing its internal processes. When firms attempt to adopt certain strategies to gain competitive advantage, such competitive advantage may prove to be elusive due to certain resource gaps (Grant, 1991).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on strategies adopted by garment manufacturing export processing firms in Nairobi, Kenya as they strive to achieve competitive advantage. The information here is based on the findings of the research as well as any other valuable information from reliable sources from the respective firms. The chapter is subdivided into summary of the findings, conclusions, recommendations, limitation of the study and suggestions for further research.

In the summary of findings the study outlines which strategies the firms employ to compete with rivals in the industry and to what extent these strategies are employed. It also acknowledges the challenges faced by the firms and the remedies put in place to overcome these challenges. In the conclusion, the most preferred strategies are identified and the reasons for their choice explained. Explanations are also given as to why other possible strategies are not adopted.

Recommendations for the study are given on how best this study builds on the existing theory of knowledge on competitive strategy. Recommendations on policy and practice are also outlined for governments and firm managers to implement. The limitations of the study in terms of resources for extensive research are outlined as well as inability to capture all the existing garment firms in Kenya.

5.2 Summary

The main purpose of the study was to establish the application of generic strategies adopted by export processing firms in Nairobi, Kenya to achieve competitive advantage. This study established that the Resource Based View strategy is highly embraced across all the firms in which the study was undertaken. That all the firms prioritize knowledge in garment processing, quality products, good will from clients, highly skilled staff and large asset base as the top five strategies to implement. In addition, other factors such as conducive organizational culture, having a huge budget to market products and possessing state of the art facilities are among the most important strategies adopted by the firms.

The study also established that most of these firms adopt cost leadership strategy in their business. Most of the respondents stated that they sell their products at the same price as their competitors, whereas ethers do at prices are lower than that of other firms. Cost leadership strategy is generally supported by government incentives such as tax holiday to the firms, availability of cheap labor among other incentives. Such incentives reduce the cost of doing business making it easy for the firms to compete globally.

It is important to note that some of these firms have started embracing differentiation strategy. Some respondents acknowledged that their products are high quality for specific markets. This was supported by the fact that the products undergo serious auditing process to confirm unique specifications by customers. These specifications differ from one customer to another depending on the nature of the products manufactured. The extent to which these needs are met dictates the nature of customer loyalty among the clients.

5.3 Conclusion

The main objective of this study was to establish the competitive strategies adopted by garment manufacturing EPZs in Nairobi, Kenya, in facing the challenges they face. The study established that the firms use the resource based view strategies to a greater extent than all the other generic strategies. Some of the mostly adopted strategies include knowledge in garment processing, quality products, good will from the clients, highly skilled and qualified staff and possession of large asset base as the top five strategies.

Conducive organizational culture, having a huge budget to market products, possessing state of the art facilities and machinery, efficient distribution channel and service delivery that stands out from competitors are other strategies considered basic by the firms. The research also established that the EPZs prefer offering their products at the prevailing market rates as opposed to offering cheaper products than the competition. It was also established that EPZ have started to realize the need to differentiate their products.

The research identified such unique features as highly customized garment products which differ across the global customers in Europe, United States of America and South Africa. A number of these firms are always in contact with their customers as they host the representatives who monitor the production process to ascertain that the goods meet their expected standards. Some of the customers go to an extent of determining the source of raw material to be used in manufacturing their product. Some even use brand names as a strategy to differentiate their products from those offered by the competitors.

This study found out that these firms generally adopt the resource based view strategies alongside other generic strategies as a hybrid strategy. It is important to note that some of these firms stated that they have been able to sell some of their products to the domestic market. In order to improve local sales, these companies need to embrace promotional activities to widen their market base. Whichever strategy the firms adopt, it must be the one that enable them deliver customer satisfaction, while meeting the firms' obligations and earning profits. A study by Brennan (1991) on the actions taken by small to compete with discounters established that providing specialized services, offering better quality products and improved customer service were the most successful strategies. On the other hand, increasing sales promotions, lowering prices and increasing advertising were least successful.

5.4 Recommendations and Implications of the Study

From this research, three basic recommendations can be drawn for managerial policy, theory and practice. This study recommends that the government of Kenya formulates policies that are not prohibitive to enter the garment manufacturing industry. That fair competition is encouraged by standardizing regulatory requirements across export firms found within the industry. Having seen the contributions of the garment manufacturing firms to the Kenyan economy, the government should promote existing firms by formulating legislations that make it easy for the firms to establish not only for export business but also to sell their products to local customers.

In strategic management practice, this research highlights the importance of strategy formulation, implementation and evaluation. That the firms still need to identify and precisely formulate the particular strategies of interest and to fully implement them in order to succeed in their operations. Managers must take note as Porter (1980) argues that a firm can only choose hybrid strategies focusing on low cost strategy or focusing on differentiation to meet the demands of the market. Attempting to combine both low cost and differentiation strategy renders the firm ‘stuck in the middle’ of the two strategies.

In theory, this research builds on the existing body of knowledge of strategic management and particularly on the management of export processing firms. It informs researchers on why garment firms select and apply these generic strategies in undertaking their business and the competition challenges they face in the industry. It also creates room for further research to establish among other factors the existence of other strategies employed, customer characteristics and nature of competition. It therefore informs future researchers on which aspects of the firms need further studies so as to create a better strategic view of the garment industry.

This project having considered the sources of competition challenges faced by the firms, it is upon the firm managers, the government and other related agencies to come up with ways to remedy such problems. In order to optimize results, in a situation where all stakeholders benefit, policy makers must come up with appropriate remedy to the challenges identified in this report. Failure to address these, the firm objectives, mission and vision will be unachievable as the strategies selected may not be fully implemented.

5.5 Limitations of the Study

The study was constrained by resources which made it difficult to carry out research in whole country since export processing firms are found in major towns of Mombasa and Nairobi. Due to limited time, the data collection tool appropriate was questionnaire. This however, limited the responses to just the listed questions and did not provide face-to-face interview with the company managers. The face-to-face interview would have yielded more adequate information as the researcher would have probed the respondents to give more information specific to the individual firms.

Most of the garment manufacturing firms in Kenya do not have their competitors locally. This study would therefore be completed by establishing the strategies adopted by the respective competitors of these firms in their foreign locations. This information would precisely educate on why these firms opted to establish in Kenya, and what they benefit from their choice of location. In so doing, it will be easy to compare their products in order to establish any existing similarity or difference.

The information provided by the respondents may not be the actual position of the firms. Some managers may have provided wrong information intentionally just for the purposes of filling the responses. This could be in an attempt to conceal their actual competitive strategies from their rivals. This therefore suggests that an alternative data collection method that includes more participants over a given time should be used in other studies in order to compare with the results of this research. Furthermore, the strategies under this study were limited to only resource based view and the generic strategies.

5.6 Suggestions for further research

This study was mainly concerned with the competitive strategies adopted by garment manufacturing firms in Nairobi, Kenya. There is need to conduct a comparative study that would compare the competitive strategies adopted by the Kenyan firms with those of other firms in foreign countries that are competing for the same market. Further studies would be conducted to determine the competitive advantages that are associated with certain competitive strategies.

This research was only conducted among the firms in Nairobi. It is important to incorporate all other garment manufacturing export firms in Kenya so as to establish the nature and extent of application of the strategies under study. Further studies should not just be limited to generic strategies but should focus on identifying any other strategies not captured in this study. This will create space for respondents to provide their general views on how they compete globally across the industry.

To establish whether these firms select and use particular strategies, further studies should be conducted to establish the extent of strategic planning process by firms. It would be interesting to establish whether these firms have formal strategic plans or not and how this affects their competition in the industry. A formal strategic plan will indicate among other elements the strategy selection, formulation, implementation, monitoring and evaluation and the timeline for each aspect of the process. It will only be possible to provide a viable feedback on this when every aspect of the strategic planning process can be measured and evaluated.

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APPENDICES

Appendix I: Research Questionnaire

Please answer the following questions freely. Your information will be used for the purposes of this research only, and will be treated with utmost confidentiality.

Part I: General information

1. Firm and the department you are based in

………………………………………………………………........................

2. The position/ tittle you are holding

………………………………………………………………………………

3. Total number of staff in the firm

………………………………………………………………………………

4. What products do you offer?

(a) Fully processed garments ( )

(b) Semi-processed garments ( )

(c) Other garment products ( )

(Please specify)…………………………………………………………..

5. What is your target market?

(a) Foreign market ( )

(b) Local market ( )

(c) Both foreign and local ( )

Part II: Challenges of Competition

To what extent does your firm face the following challenges arising from competition in the export processing sector? Please rate based on the following scale:

1 = Not at all 2 = To extent 3 = Moderately 4 = To a large extent 5 = To a very large extent.

Ratings	1	2	3	4	5
(a) Declining sales	( )	( )	( )	( )	( )
(b) Reduced market share	( )	( )	( )	( )	( )

	1	2	3	4	5
(c) Employee turnover to other firms	( )	( )	( )	( )	( )
(d) Other firms offer better pay to their staff	( )	( )	( )	( )	( )
(e) Other firms offer better customer service	( )	( )	( )	( )	( )
(f) Other firms offer superior quality products	( )	( )	( )	( )	( )
(g) Other firms have better equipment	( )	( )	( )	( )	( )
(h) Other firms have highly qualified staff	( )	( )	( )	( )	( )
(i) Other firms have adequate staff	( )	( )	( )	( )	( )
(j) Other firms have a stronger financial base	( )	( )	( )	( )	( )
(k) Loss of loyal clients to other firms	( )	( )	( )	( )	( )
(l) Other firms have better storage facilities	( )	( )	( )	( )	( )
(m) Other firms market their products better	( )	( )	( )	( )	( )

Part III: Competitive strategies

To what extent has your firm adopted the following competitive strategies to overcome the challenges you have stated above? Please rate based on the following scale:

1 = Not at all 2 = Some extent 3 = Moderately 4 = Large extent 5 = Very large extent

(a) Low cost strategies

	1	2	3	4	5
Offering products at a lower price than other firms	( )	( )	( )	( )	( )
Offering products at the same price as other firms	( )	( )	( )	( )	( )

(b) Differentiation strategies	**1**	**2**	**3**	**4**	**5**
Offering unique product features to your customers	( )	( )	( )	( )	( )

(c) Focus strategies

	1	**2**	**3**	**4**	**5**
Offering low cost products to a special market segment	( )	( )	( )	( )	( )
Offering unique product features to a special market segment	( )	( )	( )	( )	( )

(d) Resource Based Strategies

	1	2	3	4	5
We rely on our large asset base	( )	( )	( )	( )	( )
We have efficient distribution channels	( )	( )	( )	( )	( )
We have highly skilled and qualified staff	( )	( )	( )	( )	( )
We have state of the art facilities and machinery	( )	( )	( )	( )	( )
We have proprietary knowledge in garment processing	( )	( )	( )	( )	( )
We have a conducive organizational culture	( )	( )	( )	( )	( )
We have a reputation of quality products	( )	( )	( )	( )	( )
We have a huge budget to market our products	( )	( )	( )	( )	( )
Our service delivery stands out from the competition	( )	( )	( )	( )	( )
We possess general goodwill from our clients	( )	( )	( )	( )	( )

Appendix II: List of Export Processing Firms

	LIST OF EXPORT PROCESSING FIRMS	LOCATION OF THE FIRM
1	AFRICA APPAREL EPZ LTD	INDUSTRIAL AREA NAIROBI
2	HELA INTIMATES EPZ LTD	ATHI-RIVER EPZ
3	GLOBAL APPARELS EPZ LTD	ATHI-RIVER EPZ
4	MAHALAKSHMI GARMENTS EPZ LTD	ATHI-RIVER EPZ
5	NEW WIDE GARMENTS (K) EPZ LTD	ATHI-RIVER EPZ
6	ROYAL GARMENTS EPZ LTD	ATHI-RIVER EPZ
7	SUMAN SHAKTI EPZ LTD	RUARAKA
8	TAILORMADE JEANSWEAR EPZ LTD	ATHI-RIVER EPZ
9	UNITED ARYAN EPZ LTD	RUARAKA

Source: www.epzakenya.com

Appendix III: Letter of Introduction

Dear Respondent,

My name is Sylvanus Ouma Raringo, a Master of Business Administration student at the University of Nairobi conducting research on Strategies adopted for Competitive Advantage by garment manufacturing Export processing firms in Nairobi, Kenya. In order to undertake this research, your firm has been selected to form part of the study. This letter therefore is to request for your assistance to provide me with information to the question guide. This information will be treated with strict confidence and is purely for academic purposes.

Your assistance and cooperation in this exercise will be highly appreciated.

Yours Faithfully,

Sylvanus Ouma Raringo