COMPETITIVE STRATEGIES FOR ENTERPRISE GROWTH ADOPTED BY INCUBATOR COMPANIES AT NAIROBI GARAGE, NAIROBI COUNTY, KENYA

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university or institution of higher learning for any academic award of credit.

Signed …………………………….. Date………………………

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

Signed …………………………….. Date………………………

Prof. Bitange Ndemo

DEDICATION

I dedicate this work to my dear husband Duke Omwamba Sitemba and children; Maryanne Bonareri and Daxton Sitemba as well as my friends and siblings for their continued support while I was researching about the project. This study is also dedicated to the Almighty God for His love, provisions, guidance and help towards the successful completion of this research project.

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Special thanks to the Almighty God for sustaining me through the entire thick and thin of another stage of education in my life. I would like to profoundly thank my supervisor Prof. Bitange Ndemo and moderator Prof. Martin Ogutu for their steadfast guidance, patience and keen interest in my work. My in-depth appreciation goes to my family for their prayers, and moral support during this programme. I would like to acknowledge my dear husband Duke Omwamba Sitemba for his love, patience, support and encouragement during the entire period.

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ABBREVIATIONS AND ACRONYMS

MEST **:** Melt water Entrepreneurial School of Technology

NBIA **:** National Business Incubation Association

PEST **:** Political, Economic, Social and Technological

RBV **:** Resource-Based View

SMEs **:** Small and Medium Enterprises

SPSS **:** Statistical Package for the Social Sciences

SWOT **:** Strengths, Weaknesses, Opportunities and Threats

VRIN **:** Valuable, Rare, Imperfectly Imitable, and Non-Substitutable

ABSTRACT

Currently, there is renewed interest in incubation as a framework for facilitating start-ups. Potential entrepreneurs consider it a viable option for support while venture investors see it as an avenue to diversify risky investment portfolios. Anchored on the Porter's Five Forces Model and Resource-Based Theory; this study's objective was to investigate the competitive strategies for enterprise growth used by incubator companies at Nairobi Garage, Nairobi County, Kenya. The study employed cross-sectional survey perspective that is both quantitative and qualitative in nature. This study focused on the for-profit incubator companies at Nairobi Garage. The sampling frame comprised of all for-profit incubator firms in Nairobi garage. The for-profit incubator companies at Nairobi Garage were classified based on the sector characteristics of information technology, service and trading, to ensure good representation. 30 respondents formed the sample of the study which is 34.88% of the population. Primary data was gathered using a structured questionnaire with open-ended as well as closed questions to achieve the research objective. Data from the study was analyzed both quantitatively and qualitatively. It was established that many of the business incubator firms were providing services and products falling in three categories: Information and communication technology, service and trading. The respondents agreed that competitive rivalry is one of the factors that determine intensity of competition (M=4.05, SD=0.71842). The other factors include: bargaining power of buyers (M=3.938, SD=.68636), bargaining power of suppliers (M=3.725, SD=.70732), threat of new entrants (M=4.093, SD=.68906) and existence of substitute goods/services (M=4.013, SD=.77186). From the findings, the respondents suggested that the incubator companies used cost leadership strategy to a large extent (M=3.8313, SD=0.6948). The incubator companies also adopted differentiation and focus strategies to a large extent as illustrated by the mean of 4.0188 and 3.9687 in that order. It is the recommendation of the study therefore that incubator companies ought to invest most in, as well as adopt cost leadership mechanisms particularly the formation of forming linkages with service providers. To gain competitive edge over rivals in the sector and to ensure the long-term viability and sustainability, the management of incubator companies should emphasize and enhance investments in organizational differentiation strategies. To attain this, it is important that incubator companies differentiate their operations, products and services from an informed knowledge perspective.

CHAPTER ONE: INTRODUCTION

1.1 Background

Incubation has on recent times drawn the attention of venture capitalists and potential entrepreneurs alike as a means for start-up financing. For venture capitalists, the incubation model offers a strategic option of risk diversification while potential entrepreneurs on the other hand consider it as an avenue for mobilizing capital for start-ups. In recent times, regional rather than international incubators are credited with driving the successful establishment of incubators. This has spurred the emergence of a new variety of incubators whose; skills and competencies, target market and strategic objective focus is a complete departure from the past. They a different understanding which has transformed the sector's business model and sources of competitive advantage such that they operate and compete in the same business environment as fellow incubators, business angels, law firms, real estate agents, consultants and venture capitalists for the most viable start-up companies and entrepreneurs.

Porter (1986) identifies industrial, geographical, vertical and segment elements as the main four compositions of a competitive scope. This study endeavored to determine the competitive approaches used by incubator firms for enterprise growth. The study also adopted the Resource-Based View Theory (RBV) and Porters Five Forces Models. The Resource-Based View theory as advanced in Barney (1991) argues that there is potential for developing competitive advantage in every organization's resources that valuable, rare, imperfectly imitable, and non-substitutable (VRIN). To outperform rivals and gain a competitive edge, Solesvik and Westhead (2010) argue that firms only need to identify and effectively manage these unique resources to their advantage. Granted these unique resources or capabilities are internal, competitive advantage for concerned business enterprises can accordingly be obtained through formulation of plans or activities meant to harness their full potential (Alvarez-Suescun, 2007). In the case of incubator companies, improved performance through exploitation of the internal resources can potentially confer unique value or competitive advantage. An evaluation of the competitive environmental conditions in the business incubation sector rests on five critical elements otherwise called Five Forces Model as postulated by Porter (1985). The Five Forces Model comprises the assessment of supplier's bargaining power, buyers or potential customers, threats posed by potential or new players, challenges of substitute products and the potential of rivalry between existing competitors.

Improved business environment in Kenya has seen several startup companies being established in the country over the years. Nairobi has attracted many companies with both local and international owners to set up in the city. This trend can be attributed to the support provided by the growth of incubation centers in the city and a conducive business environment in the country realized because of the economic reforms and anti-corruption campaigns conducted in the 1990s. While many businesses are started in Kenya each day, several startups are failing and closing daily. According to a survey done by the Kenya National Bureau of Statistics, approximately 61% of micro, small and medium-sized enterprises do not get to celebrate their second anniversary (Mwangi, 2016). Due to this high failure rate of businesses at their early-stages of inception in the country, it would be useful to investigate competitive strategies adopted by incubator companies commonly referred to as startup companies that are currently at one of the largest coworking spaces in Nairobi, Nairobi Garage, to ensure that they gain a competitive advantage over their competition and survive in the long run.

1.1.1 Concept of Competitive Strategy

According to Johnson and Scholes (2005), the term strategy refers to an organization's orientation and scope over the long term by the way in which it positions its resources in a continuously changing business environment to satisfy the demands of the market and to meet stakeholders' expectations. There are three forms of organizational strategies. Strategy in general which describes the way in which a stated objective in a business will be achieved; corporate strategy that defines the organization's operations in terms of the target markets and the business activities in which the organization will engage in; and competitive strategy or business strategy that states for a firm the premise upon which it will compete (Nickols, 2016). This study focused on the last form of strategy, competitive strategy, which relies on an organization's capabilities, weaknesses and strengths in connection with the market traits and the equivalent strengths and weaknesses of the competition.

Competitive strategy involves looking for positive conditions for competing within the sector on which to lay a competitive position that is sustainably profitable in comparison to powers that dictate an industry's competition and it is the basis upon which a strategic business unit is likely to realize a competitive advantage within the industry (Porter, 1985). A business entity's competitive strategy Thompson and Stickland (2007) aver, mainly involves precise details of top leadership's approach for competing successfully and gaining a competitive advantage over their competitors. Porter (1980) asserted that every organization competing in a given industry usually has a strategy for competing; either clearly developed from a well-organized process of planning or may have advanced implicitly because of the various actions and decisions of the different functional departments of the organization. Porter (1986) asserted that competitive strategy can take any one of the following three kinds; cost leadership, differentiation and focus.

1.1.2 Concept of Enterprise growth

Many scholars have acknowledged and documented the significance of enterprise growth across the globe. Okpara and Wynn (2007) in their study for instance found that the potential value of enterprise development in terms of income generation and creation of employment opportunities is widely recognized. Entrepreneurship is the engine of economic growth and development and prime tool for actualizing novel dreams and ideas. A basic definition of an entrepreneur is an individual who is capable of scanning and identifying opportunities within ones surrounding, mobilizing the requisite resources that facilitates successful implementation of plans or actions.

Ardichvili, *et al.,* (2003) views entrepreneurship from a purely transactional perspective meant to attain economic growth. In their opinion, the important indicators of economic growth comprise of; sales and profits, market share, employment, branch distribution and generally assets. The challenge here is that while growth in traditional businesses are measured in gross profits or share value, the quantification or measurement of new ventures remains non-existent or a challenge. Additionally, the incubation cycle is normally brief compared to other traditional business cycles and as such an evaluation of incubators does not capture the longer-term output (Dee et al., 2011).

Proponents of incubation hold that a standard evaluation mechanism can insulate incubatees from adverse competitive factors in the market and enhance short-term viability. Critics however consider the process as ineffectual that will lead to the incubators collapsing once exposed to free market forces (Amezcua 2010).

1.1.3 Concept of Incubation

Business incubation according to the American National Business Incubation Association (NBIA) is an ever-changing process of developing business enterprises. The main goal of incubation process is mobilization of resources to finance entrepreneurs particularly those involved in the development of innovative products. The ultimate aim of incubation is to expedite the exploitation of technologies by facilitating linkages between technology, capital know-how and development of start-ups. Start-up benefit from incubators facilitative efforts such as formulation of business and marketing plans, building of critical entrepreneurship skills and competencies, provision of cheap capital and facilitating availability to a variety of specialized professional service options. Furthermore, start-ups can also benefit from incentives and resources meant to maximize their value such as shared equipment, flexible space and shared administrative services. This helps incubators to build capacity for resilience, independent entities that can withstand the competitive elements within the market. It is important to note that while common activities and services are common in the incubation sector; most incubators cultivate distinct products using unique resources found within their environment, and in response to their own unique base of clientele. These varied characteristics result in different incubating models.

Business incubation can also be defined as a business-support process that speed up the effective establishment and growth of startups or incubator companies by providing their founders with a set of business requirements and services (Changi, 2013). In this context, business incubators are therefore establishments that are designed to speed up the growth of startup companies by providing a set of business necessities and services.

It is estimated by the International Business Innovation Association based in the United States of America (USA) that there are about 7,000 incubators worldwide today. Silicon Valley in California, Massachusetts Institute of Technology in Boston and Berlin which is home to WISTA are some of the biggest startup ecosystems in the world. Based on an article by Quartz Africa, as at 2016; there were over 300 business incubators spread across 42 nations and 93 cities in the African region. According to the report, the number of Tech Centers within the African region exponentially grew significantly more than doubling in the year 2016. The article pointed out the fact that more than half of these incubators are concentrated in Nigeria, Egypt, Morocco, South Africa and Kenya. Some of the incubation centers that were home to several startup companies in Kenya at the time of this study include: Nairobi Garage, iHub, m:Lab East Africa, Nailab, C4D Lab, Lake Hub, iBiz Africa, iLab Africa among others. This study focused only on the incubator companies at Nairobi Garage at the time of the study.

1.1.4 Nairobi Garage

Formerly known as 88MPH, Nairobi Garage is one of the biggest incubation hubs offering co-working spaces to startup companies in Nairobi. Nairobi Garage has incubated some of the most successful startup companies in Kenya in the past, including online-based news sources, such as Ghafla!Kenya, Futaa.com and HiviSasa; one of Africa's biggest initiative for data journalism and civic technology, Code for Africa; food delivery service provider, Yum Kenya; platform for downloading free music, Mdundo; and crowd funding platform, M-Changa among others. It is a fully serviced, co-working office space for startup companies and freelancers providing a flexible office solution to its members.

The space offers some administrative services, high-speed internet connection, people connectivity and networking opportunities as well as education and access to knowledge by routinely inviting experts in various fields to the space. With two operational branches as at the time of this study, the co-working space is home to about 86 members out of which 90% are for profit. Nairobi Garage offers 3 packages to its clients; co-working options, enclosed private offices and club space.

The Nairobi Garage is a privately-owned operated incubation hub that is meant to be a catalyst of innovative entrepreneurship. It is owned by Pan-African Entrepreneurial Training Program. The key feature of the Nairobi Garage is that it provides shared co-working space which has attracted many top start-ups in Nairobi. This is entirely unique concept in Africa though the same arrangement can be found in other African cities such as Lagos and Cape Town that runs on the 88MPH's tech accelerator program. The idea was born out of the need to ease the cost of doing business in Africa's fastest growing cities through the provision of convenient, cheap business facilities. It also facilitates the growth of local businesses by tapping into key international networks of events, investors, innovation idea exchange. This study specifically investigated the competitive strategies applied by for-profit enterprises based at the office space in the two branches in Chiromo, Westlands and along Ngong Road in Nairobi, Kenya.

1.1.5 Incubator Companies

Business incubators are set up for the dual purpose of attaining social and economic development and to serve as resource centers for start-ups. Incubators are particularly helpful to start-ups through provision of business opportunity consultancies that explores viability, establishment and operation of business enterprises. This leads to not only the generation of income for local and national economies which accrues from employment opportunities, commercialization of new technologies but also the revitalization of whole communities. According to Dee et al. (2011), incubator activities' impact is dependent on the scale of incubatee portfolio as well as that of incubator's portfolio. The important indicators influencing the impact of incubators include; the emerging character of the new ventures and the availability of incubation at their disposal.

Most of the incubator companies are startup companies. Startup companies come in several forms and sizes. According to Blank (2013), there are six categories of start-up companies: lifestyle startups which comprise of entrepreneurs not working for anyone such as freelance coders or web designers; small business start-ups which comprise of entrepreneurs who run small businesses that are not designed to scale; scalable start-ups which are start-ups whose founders believe they are capable of changing the world and they are in constant search for a business paradigm that they can replicate and scale; buyable start-ups whose aim is not to create a big firm but to be sold off to a more established company for some good amount of money; large company start-ups which are companies that have to produce new innovative products for new clients in new markets in order to survive; and lastly social start-ups which are start-ups that are passionate and motivated to have an impact with a mission to make the community and the world a better place, not to be wealthy, but for the sake of their ideas.

According to Moyi (2005), in Kenya 98% of all enterprises are small-scale in size and include startup companies; employing less than 100 people. These businesses contribute largely towards solving the problem of unemployment, stimulating growth of the economy, enhancing distribution of income more evenly, facilitating efficiency and productivity in utilization of resources, enhancing the regional distribution of industries as well as developing a vibrant private sector in Kenya. The contribution of the growth and existence of start-ups in Kenya's economy makes it useful to study the competitive strategies used by some of the startups in the country to ensure their survival and growth.

1.2 Research Problem

All businesses have some form of strategy whether clearly laid down or not and need competitive advantages that are sustainable to survive competition and grow. Some previous studies have been extensively done that investigated the competitive strategies that are adopted by various companies within various industries. Most of these studies however, focused on the competitive strategies adopted by specific organizations in the country for instance Multichoice Kenya Limited (Wekesa, 2013) or focused on small-scale businesses in different contexts for instance "Competitive Strategies Adopted by Small-Scale Enterprises in Exhibition Halls in Nairobi" done by Namada and Bagire (2008). Wekesa (2013) found out that Miltichoice Kenya Limited employed various competitive strategies including expanding their service provision to offer more services to their clients, decentralizing services to reach more people as well as partnering with known brands in the market. The study was based on Multichoice Kenya Limited which is a well-established company with international partners. The study was also a case study while this study employed cross-sectional survey approach. Namada and Bagire (2008) found out that small enterprises that are in exhibition halls in Nairobi adopted competitive strategies that were related to pricing and cost management as well as product and marketing. The study focused on SMEs in exhibition halls as opposed to incubator companies which is the premise of the current study.

Based on the literature review conducted in the Kenyan context, no study currently has tried to explicitly analyze the competitive strategies adopted by startups incubated in co-working spaces/incubation hubs in Nairobi County. This study sought to investigate and analyze the competitive strategies adopted by incubator companies also known as startup companies at Nairobi Garage to ensure they survive competition and thrive in the long run. As one of the major incubation hubs for startup companies in Nairobi, this study sought to answer the question; what are competitive strategies for enterprise growth adopted by incubator companies at Nairobi garage?

1.3 Research Objective

This study's objective was to investigate the competitive strategies for enterprise growth adopted by incubator companies at Nairobi Garage, Nairobi County, Kenya.

1.4 Value of the Study

Based on the contribution of startups and small-scale enterprises to the Kenyan economy, the high failure rates of businesses in Kenya and the role that the private sector plays in a country's development in general, there are compelling reasons for the study of competitive strategies for enterprise growth adopted by incubator companies to ensure their long-term survival in a highly competitive business environment. This study will be useful in practice to individuals such as current and aspiring entrepreneurs as well as investors, policy makers and to both business and academic researchers.

This study's findings will be useful to current entrepreneurs and founders of companies incubated at Nairobi Garage for informed future strategy formulation. To avoid failure, startups must look at ways where they can change their competitive strategy and improve their rate of survival every day. They need to align to the market and customer needs and companies which fail to do so die eventually. New startups will use the findings to look at and understand competitive strategies adopted by their predecessors and the mistakes made by the previous startups to improve their rate of survival and grow into bigger corporations. Investors on the other hand will use the findings to understand the competitive strategies adopted by startups in various industries to enable them to assess the probability or survival of various startups hence establishing their go to companies in their chosen industries for investment.

The findings will also be useful to the Kenyan government as well as other policy makers in helping them to assess the support that can be given to startups in the country to thrive in the increasingly competitive business environment. Policy makers will use the findings to establish and create educative forums for startup founders, entrepreneurs and investors that can help grow the startup ecosystem in Kenya.

Besides practice and policy, the study will also add on to knowledge in the topic of competitive strategy and will form the basis for future and additional research for both business and academic researchers. The findings will help in the advancement of the Resource-Based View model and Porter’s five forces model. Scholars and students of business especially in the field of strategic management will use the findings for academic purposes while business researchers will use the findings for informed decision making and strategy formulation.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Chapter two contains a discussion on the two theories which underpin this study: resource-based view and Porter's five forces model as well as literature review revolving around the concept of competitive strategy which is related to the study either directly or indirectly. It also presents a discussion of various competitive strategies and how firms use them to enhance their competitive advantage in specific industries. Studies related to competitive strategies adopted by small businesses are also presented as well as conceptual framework that guided this study.

2.2 Theoretical Foundations of the Study

This study was based on the resource-based view and Porter's five forces models.

2.2.1 Resource-Based View

The Resource-Based View (RBV) is a theory that terms resources as very important to achieving superior firm performance. According to the model, suppose a certain resource is of value, is rare, is hard to imitate and the organization has the capability to exploit it (VRIO qualities), then the resource permits the business enterprises to attain and sustain competitive advantage over its competitors (Rothaermel, 2012). The proponents of RBV asserted that firms ought to look within the firm to find competitive advantage sources rather than focusing on the external business environment (Barney (1991), Rotharmel (2012).

The resource-based view tends to overlook the implementation of strategies in line with the external environment as opposed to the industrial organization view. According to Barney (1991), the foundation of the RBV framework is that successful businesses gain their future sustained competitiveness on the development of distinct and unique capabilities hence the firm’s strategy should center around reflecting on the uniqueness aspects of its resources. In the model, resources which can either be tangible or intangible are tasked with helping companies to achieve above average organizational performance.

2.2.2 Porter’s Five Forces

Porter’s Five Forces Model defines the profitability and forces of competition of firms in any industry. The main goal of competitive mechanisms in Porter’s (1985) view is to manage and ultimately transform the rules of competition within the industry. According to Porter (1985) the five forces of competitive position gives a clear view point for assessing and analyzing the competitiveness and position of a firm. The Five Forces together have a significant impact on the industry’s performance given they determine the pricing of products, costs incurred, and the kind of investments needed to keep up with industry’s competition.

The entrance of new players has the risk of increasing an industry’s capacity, introducing market share competition and has the potential of lowering prices charged. Substitutes can influence an industry’s financial productivity by constraining pricing of products/services in the sector. Suppliers are regarded as a threat when: their products have few substitutes, their products are unique, buyers are not significant to them and they have high switching cost as well as posing credible threat of forward integration. The buyers bargaining power is their capacity to either effect a decline in charges on a product/service or effect a rise in a business’ operational costs in an industry by asking for superior products or quality services. Rivalry among firms can significantly reduce the profitability of the players in the industry and the extent of competition among the sector’s mature firms could be attributed to: presence of exit barriers, fixed cost amount, the industry's competitive structure, presence of international clients, and the rate of growth of the industry as well as the demand conditions.

2.3 Porter's Generic Competitive Strategies

Competitive strategy is part of a firm's business strategy that deals with the management's plan for enabling the firm to compete effectively; indicating how the firm would build competitive advantage that is sustainable, how it will outperform competition and how the firm will defend itself from aggressive competitors and external business environment pressures (Thompson & Strickland, 2007). According to McKee and Sessions-Robinson, (1989) competitive strategy relates to a firm's performance against the competition and a firm which is the most productive is regarded as the most competitive. As such competitive strategy is all about productivity. D'Cruz and Rugman (1992) termed the intensity of competitiveness of a firm as its capacity to map out, create and/or market their products in a manner that is more efficient compared to its competitors, putting in consideration qualities such as the price and other non-price qualities.

Important sources of competitiveness among firms include but are not limited to: capabilities that are dynamic and abilities to be flexible, agile and move with speed (Barney, 2001; Sushil, 2000). Rastogi (2008) identified the detail that incorporates competitiveness situations as "tight and loose ends" of structural properties that can only be met by shared values, norms, beliefs and expectations of different members of the organization. He indicated that shared values and vision provide a stable context within which open communication, personal responsibility for outcome and commodity of focus are enhanced (Rastogi, 2008).

2.3.1 Cost Leadership

According to Porter (1985) for a firm to adopt low cost leadership as a strategy, it must be operating under a very efficient production line and have productive systems for it to gain a competitive edge. The firm delivers the same services to its customers as its competitors but at a much lower cost (Porter, 1988). Low cost that results in a firm's competitive advantage may result from process innovations, utilization of economies of scale, product/service designs, reduction of some processes or adoption of modern technology.

To gain meaningful reward out of this strategy, Porter (1985) argued that the organization must be the leader in cost in an industry and must remain unchallenged in that position. According to Thompson (1997), cost leadership adoption as a way of competing within the industry does not mean that a firm will sell their product or service at the lowest price, but it implies that the firm prices its products/services in a competitive manner and in relation to how their product is perceived by customers. Cost leadership however, doesn't result in much loyalty and if price is kept extremely low the firm might fail to breakeven (Porter 1980).

2.3.2 Differentiation

A firm is capable of developing differentiation strategy with unique features which are hard to imitate by rival firms including: the firm's product or service quality, reputation, customer service quality, innovativeness and reliability among others. According to Porter (1980), a firm implementing a differentiation strategy must enjoy the advantage of price elasticity of demand for its products or services which would as a result benefit the firm from potential stiff competitive pricing and enable it to charge a premium price. The effective and implementation of fruitful differentiation plans however, is predicated on availability of resources, strong marketing skills, product engineering/re-engineering, good corporate reputation as well as reliable and durable products (Porter 1980).

2.3.3 Focus

According to Davidson (2001) under focus strategy, a firm identifies and serves a niche market which is either of a specific clientele or geographical location. A firm using focus strategy will target a market segment with tailor-made demands at the expense of serving the whole industry. According to Porter (1985), focus strategy comes in two forms: low cost approach and differentiation. Cost focus exploits the disparity in cost behavior in certain segments of the industry; while differentiation focus concentrates on the special needs of buyers in some segments of the market (Porter, 1985).

Focus strategy can achieve competitive advantage by having special dedication to segments that are better served by the firm than the competition. Davidson (2001) explained that a firm using focus strategy in identifying these segments may consider certain characteristics such as buyer behavior and patterns, product specifications, and geographical areas. The segment market must however, be large enough and have growth potential.

2.4 Enterprise Growth

The potential contribution and role of small and medium sized enterprises to the economy has occupied scholarly and policy makers debate around the world for many years. Growth enterprises according to Njeru, Namusonge and Kihoro (2012) have high potential for grow. This however is a fallacy since not all enterprises prioritize growth but may only come to existence with sole purpose of exploiting a brief window of opportunity while others are content in maintaining their existing size. Growth disposed enterprises are by nature future oriented and less focused on short-term profit. Variables for evaluating enterprise growth consist of size, net assets, turnover and number of employees.

The most valuable resources for small enterprises however are found in its human resource capacity including those of the proprietor/owner and members of staff. Specifically, the fate of small enterprises lies with the proprietor's strategic disposition, managerial and operational capability and the owner's personal goals are crucial in determining either the success or failure of a business (Churchill & Lewis, 1983).

There are several marketing strategies from which growth-oriented enterprises can choose from which according to Ansoff (1965; 1987) include four specific product-market options. These include; 1) market penetration which entails intensifying promotional and advertising activities to grow current sales in existing markets; 2) Market development, which entails the sale of existing products in new markets via increased distribution area or through new channels such as the internet; 3) product development which simply denotes the sale of new products in existing markets; and 4) diversification that consists of developing and selling new products in new markets (Hill & Jones, 2012; Kotler & Keller, 2012).

2.5 Empirical Studies and Research Gaps

To apply Porter's framework and to transfer it from large firms to small firms such as startups, two modifications should be made (Namada & Bagire, 2008). According to Namada and Bagire (2008), small firms in their early stages usually portray characteristics like those of large firms. For small firms, their efforts are directed towards establishing themselves through discovery or by creating a niche for competing and little of their effort is directed at defending their position and blocking competition

(Namada & Bagire, 2008). Comparatively, large firms are in a much more advanced stage of development (Namada and Bagire, 2008). The second adaptation is conditioned on the premise that the application of Porter's Five Forces model on a portion, instead of the whole market (Namada & Bagire, 2008).

Wekesa (2013) sought to determine the competitive mechanisms used by MultiChoice Kenya Ltd and assessed how such strategies created avenues for sustained competitive advantage. The study established that MultiChoice Kenya Ltd proactively and retroactively executed a variety of strategies which accorded it the ability to effectively cope with the turbulent and diverse pay TV industry in Kenya. The pay TV industry has seen increased competition which has realized a profitability drop as the customers have to be shared with the new market entrants most of whom are coming in with a pricing strategy.

Most small businesses target market segments that have a niche that can be exploited. Needham and Dramsfield (2004) further asserted that a focus strategy that is targeted at a defined market segment is more likely to give small businesses a competitive advantage over their competitors. According to Namada and Bagire (2008), a significant trait that cuts across several categories of competitive focus in small businesses is the role of period a firm has been in operation. Startup companies often have steep learning curves after their inception, but the experience gained during their operation is easily translated into competitive advantage for these companies (Namada and Bagire, 2008). Namada and Bagire (2008) in their study of small businesses in exhibition halls in Nairobi found out that these businesses adopted competitive strategies that were related to pricing and cost management as well as product and marketing. Studies before focused on the corporate and competitive strategies adopted by large firms (Ansoff, 1988, Johnson & Scholes, 2005) but the emergence of startups and small business enterprises has drawn attention to ascertaining the competitive strategies adopted by small businesses.

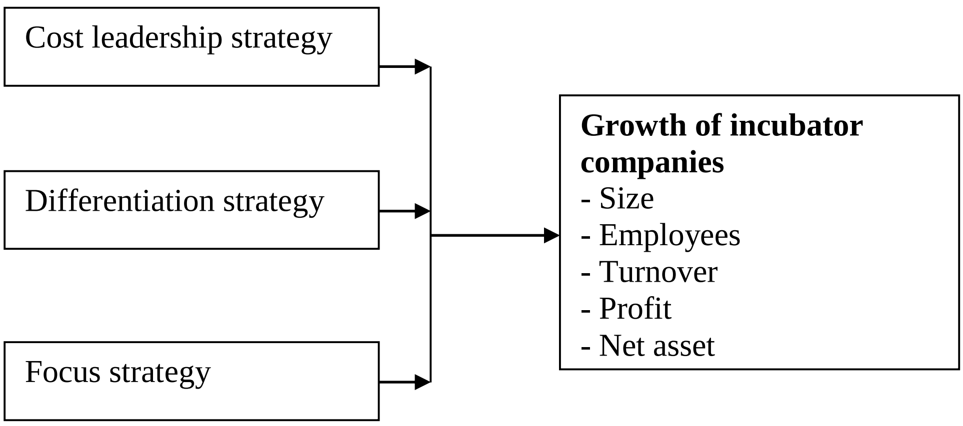
Table 2.1: Summary and Knowledge Gaps

Author(s)	Focus of the Study	Methodology	Major findings	Knowledge gaps
Namada and Bagire (2008)	Competitive strategies employed by SMEs in open markets in Nairobi	Quantitative Cross-sectional method.	Adoption of similar competitive strategies (pricing, cost management, product and marketing) by business enterprises	The study focused on Small-scale enterprises while the current study focused on incubator companies
Wekesa (2013)	Competitive strategies used by Multichoice Kenya Limited	Case study featuring Phone and face-to-face interviews	Multichoice has adopted strategies aimed at improving customer satisfaction by introducing a new range of channels and opening two new branches.	The study focused on a single company that is well established. Current study focussed on incubator companies.
Njeru, Namusonge and Kihoro (2012)	The role of size in determining financing options for small-sized enterprises in Thika district	Empirical descriptive survey study design	The size and choice of source of business financing are not directly related and has had minimal effect on firm growth	The study did not look at enterprise growth
Rastogi (2008)	Globalization strategies and policies	Descriptive survey approach	Maintaining competitiveness requires continuous incremental improvement in the function cost and quality, cost effective design, new processes/product technologies,	The study did not narrow down to competitive strategies
Okpara & Wynn, (2007)	Challenges affecting the growth of small businesses in a sub-Saharan African market	Structured interviews and survey	The challenges facing start ups comprise of weak infrastructure, corruption, poor management and lack of capital	The study looked at the entire sub-Saharan Africa while the current study focused on Kenya.

2.5 Conceptual Framework

The conceptual framework presents the interrelationship between variables considered to be of great significance in a study (Kothari, 2004). Within the conceptual framework interrelationship between variables of a study are examined. This study investigated and analyzed the competitive strategies that are adopted by incubator companies at Nairobi Garage while considering the forces of competition in the various industries these companies operate. The independent variables were cost leadership, differentiation and focus strategies while the dependent variable was enterprise growth. Figure 2.1 shows the conceptual framework upon which this study was based.

Figure 2.1: Conceptual Framework



Source: Author, (2018)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter serves the purpose of stating the methods that were used for this research work to realize the research objective and in so doing answering the research question. The chapter contains the research design, target population, sampling design, as well as the procedures that were used to collect and analyze data to achieve the research objective.

3.2 Research Design

Research design explains the plan that was used to consolidate the various elements of the study in a solid and logical manner, hence, ensuring that the research question is effectively answered. It comprises of the approach that was used for the collection, measurement as well as analyzing the data. This study's focus was on profit-making incubator companies at Nairobi Garage. The study applied cross-sectional survey perspective that is both quantitative and qualitative in nature. Quantitative approach was used to quantify the hypothesized influence of competitive strategies on enterprise growth while qualitative design was used in open ended constructs meant to interrogate a given variable further. This approach was used to enable the derivation of descriptive and analytical analysis of the research problem.

3.3 Population

Target population were all the members of a real or assumed set of people, events or elements from which a researcher plans to generate the findings of a given research study. This study focused on the profit-making incubator companies at Nairobi Garage. The companies were categorized into three categories; information technology, service and trading. The full list of the 86 incubator companies that were incubated at Nairobi Garage at the time of this study is presented in Appendix II.

Table 3.1: Population

Sector	Population	Percentage
Information technology	30	34.88
Service	43	50.00
Trading	13	15.12
Total	86	100.00

Source: Author, (2018)

3.4 Sample Design

The sampling frame comprised of all profit-making incubator firms in Nairobi Garage. Profit-making incubator companies at Nairobi Garage were stratified according to the characteristics of sector (technology, service and trading) to ensure good representation. The size of the sample for this study was 30 respondents which is 34.88% of the population.

Table 3.2: Sample Size

Sector	Population	Sample Size
Information technology	30	10
Service	43	15
Trading	13	5
Total	86	30

Source: Author, (2018)

3.5 Data Collection

Primary data from respondents was collected to achieve the research objective. Primary data was gathered using a structured questionnaire with open-ended as well as closed questions to achieve the research objective. Parts of the questionnaire were designed using a 5-point Likert scale to measure respondents' viewpoint on various items of the study. A sample of the questionnaire that was used for collecting data for this study is presented in Appendix III.

The letter in Appendix I was used to get permission to administer the questionnaires to respondents. The questionnaire was administered using personal interviews as well as the drop-and-pick method in cases where the respondents were not present for personal interviews at the time of the visit by the researcher. The respondents of the study were either founders of the incubator companies or where not applicable the managers-in-charge of the Kenyan operations of the companies.

3.6 Data Analysis

Data from the study was analyzed both quantitatively and qualitatively. Cronbach's alpha coefficient was the main yardstick for ascertaining the internal consistency and reliability of the study. The quantitative analysis of the collected data was undertaken by way of Statistical Package for the Social Sciences (SPSS), computer software which then was presented in form of descriptive statistics as percentages, mean scores, tables and frequencies. Content analysis was undertaken to evaluate the qualitative data to provide a detailed and in-depth understanding of the responses emanating from the respondents. The unit of analysis was the profit-making incubator companies at Nairobi Garage and data was analyzed to ascertain the competitive strategies adopted by these companies to ensure their long-term survival.

CHAPTER FOUR: RESULTS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents analysis of data, interpretations and discussions. In this chapter data is presented and discussed to meet the research objectives. The unit of analysis was the profit-making incubator companies at Nairobi Garage and data was analyzed to ascertain the competitive strategies adopted by these companies to ensure their long-term survival. Data from the study was analyzed both quantitatively and qualitatively. An analysis of content was used to analyze the qualitative data to provide detailed as well as in-depth understanding of the responses emanating from the respondents.

4.2 Response Rate

Detailed and well thought through questionnaires were designed and distributed to the managers of the incubator companies. To make the analysis more comprehensive a total of 30 questionnaires were administered. All the 30 questionnaires were satisfactorily filled and returned. This is a 100 percent response rate which was excellent according to postulation of Mugenda and Mugenda (2003).

Table 4.1: Response rate

Sector	Questionnaires Administered	Questionnaires filled and returned	Response Rate
Information technology	10	10	100.00
Service	15	15	100.00
Trading	5	5	100.00
Total	30	30	100.00

Source: Field survey, 2018

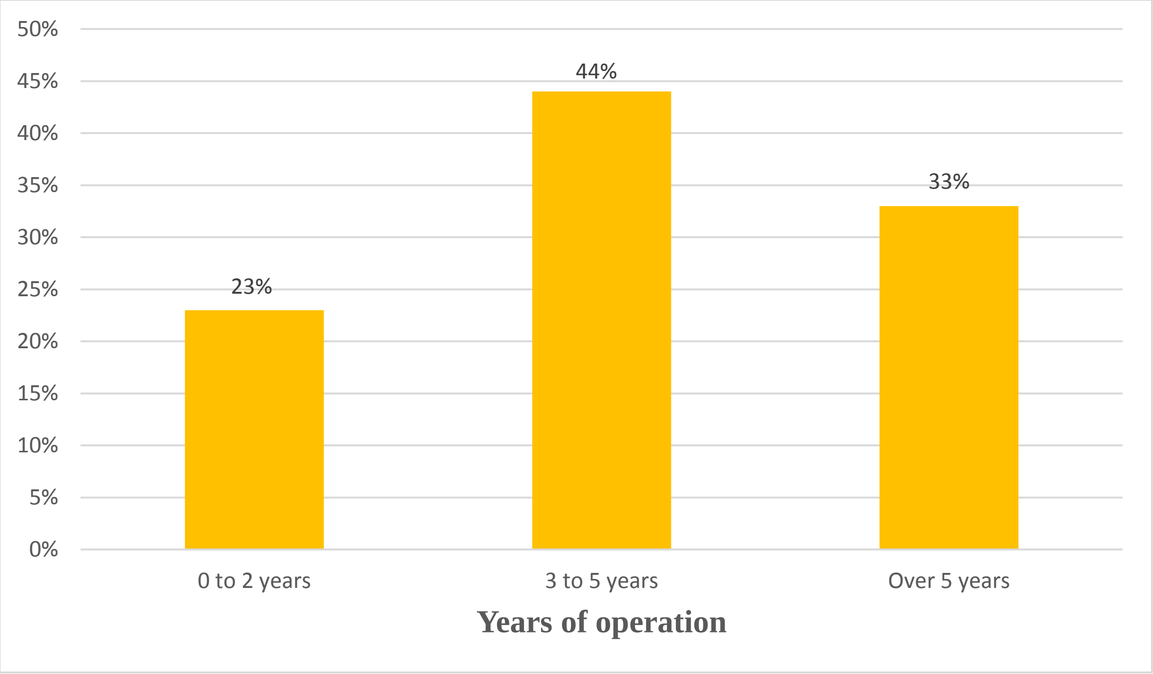
4.3 Company Profile

The study set out to find out the incubator companies' general profile which included: how long they had been in operation in Kenya, branches outside Kenya, form of company ownership and number of employees in the company.

4.3.1 Years of Operation in Kenya

As part of the general profile, the study sought to establish the period the companies had operated in Kenya. Based on the findings, 44% of the companies had operated in Kenya for a period of between 3 and 5 years. Further findings indicated that 33% had operated in Kenya for over 5 years while 23% had operated in Kenya for 2 years and below. The findings are displayed in figured 4.1.

Figure 4.1: Years of Operation in Kenya

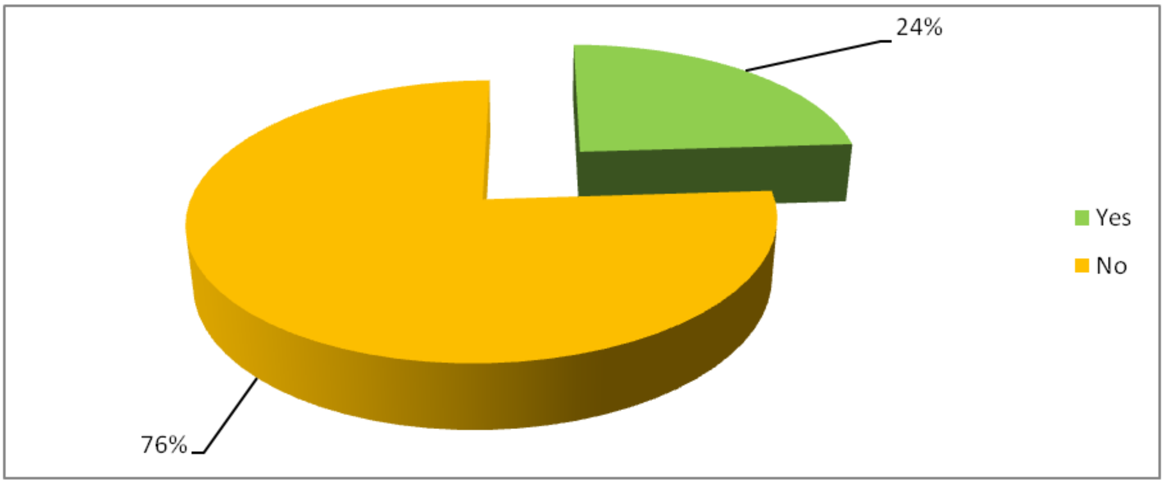


Source: Field survey, 2018

4.3.2 Branches outside Kenya

The study also sought to establish the number of branches outside Kenya that the incubator companies had. The findings revealed that majority (70%) had no branches outside Kenya as they were owned locally while only 24% of the companies had established branches outside Kenya as shown in figure 4.2.

Figure 4.2: Branches outside Kenya

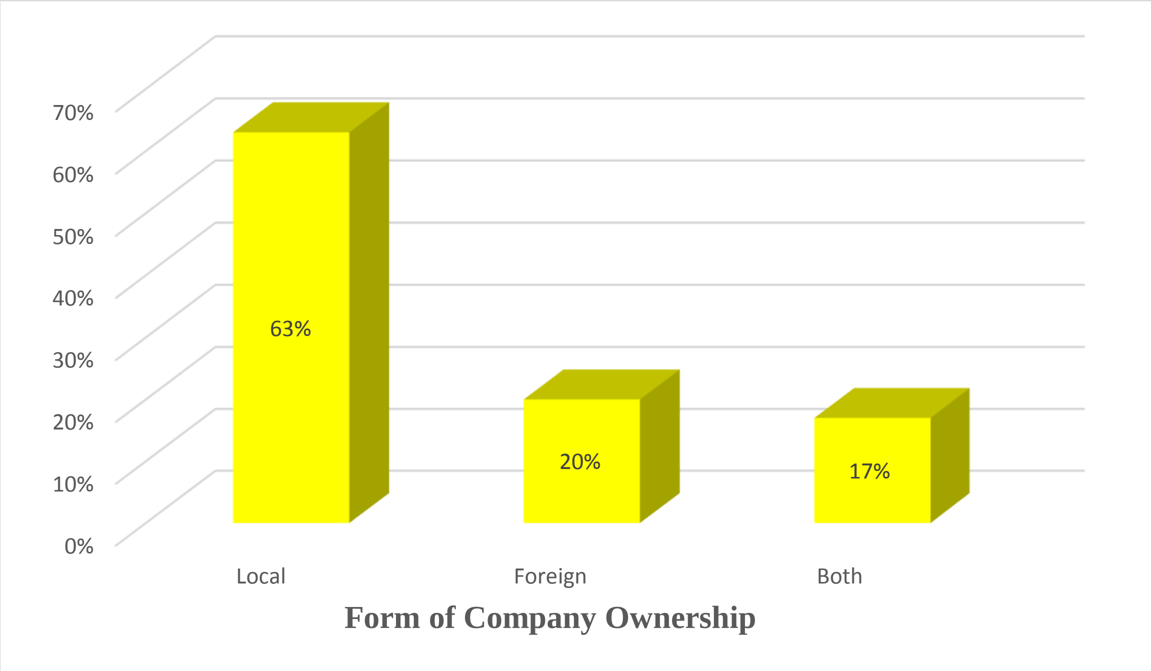


Source: Field survey, 2018

4.3.3 Company Ownership

In terms of form of company ownership, the study established that majority (63%) were locally owned while 20% were both locally and foreign owned. Only 17% were wholly foreign companies. This corroborates the findings above that majority of the incubator firms did not have branches outside Kenya. Figure 4.3 illustrates the key findings of the study.

Figure 4.3: Company Ownership

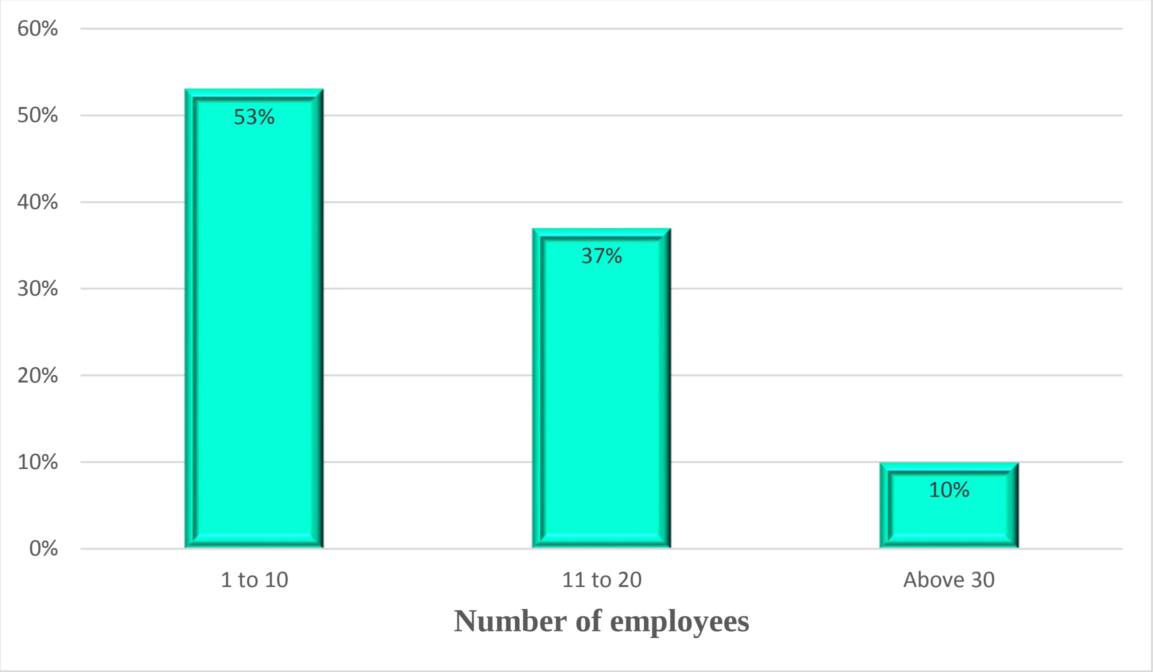


Source: Field survey, 2018

4.3.4 Number of Employees

The study also sought to establish the number of employees in the incubator firms. Based on the findings, 53% of the companies had between 1 to 10 employees while 37% had between 11 to 20 employees. Further findings indicated that 10% of the companies had over 30 employees. The findings imply that majority of the incubator companies are startups or SMEs hence the small number of employees.

Figure 4.4: Number of Employees



Source: Field survey, 2018

4.4. Competition

It was established that many of the business incubator firms were providing services and products falling in three categories: Information and communication technology, service and trading. Several challenges are faced by incubator companies. These include: stiff competition, the need and capacity to cope with the ever-changing market demands, rapid technological variations, and ability related limitations in the areas of knowledge, innovation, and creativity. The major competitors of incubator companies were other well established local and foreign firms in Kenya dealing with products and services like those offered by the incubator firms. The respondents also indicated that availability of close substitutes also puts pressure on the incubator companies.

The study also sought to establish the factors determining the intensity of competition among the incubator firms. The respondents agreed that competitive rivalry was among the factors that determine competition intensity. This was depicted with a mean of 4.05 and a standard deviation of 0.71842. Other factors included: bargaining power of buyers (M=3.938, SD=.68636), bargaining power of suppliers (M=3.725, SD=.70732), threat of new entrants (M=4.093, SD=.68906) and existence of substitute goods/services (M=4.013, SD=.77186). These findings are presented in table 4.2.

Table 4.2: Factors Determining Intensity of Competition

Factors determining intensity of competition	Mean	Std. Deviation
Competitive rivalry	4.050	.71842
Buyers bargaining power	3.938	.68636
Suppliers bargaining power	3.725	.70732
Threat posed by new firms	4.093	.68906
Existence of substitute goods/services	4.013	.77186

Source: Field survey, 2018

Porter (1980) indicated that there exist five competitive forces in every sector which jointly define the intensity of competition and profitability of the industry. Competing industry players makes the first competitive force and affect the competitive environment of every industry. Various competitive forces provide different influences in every industry and distinct technical and economic characteristics that determine the intensity of competition.

4.5 Competitive Strategies

The study also sought to investigate the level to which the studied incubator business entities had adopted competitive strategies listed in table 4.3. The findings indicated that the incubator companies adopted cost leadership strategy to a large extent as depicted by a mean of 3.8313 and a standard deviation of 0.6948. The incubator companies adopted differentiation and focus strategies to a large extent as supported by a means 4.0188 and 3.9687 respectively. Table 4.3 shows the summary of the findings.

Table 4.3: Competitive Strategies

Strategy	Mean	Std. Deviation
Cost Leadership Strategy	3.8313	.6948
Differentiation Strategy	4.0188	.8321
Focus Strategy	3.9687	.6468

Source: Field survey, 2018

The study findings imply that cost leadership strategy enables incubator companies to maintain their market share through reducing of cost. Therefore, they can vary the prices of goods and services to counter rivalry posed by substitutes and rivals who lower their prices to appeal to more customers. The results also show that majority of the respondents agreed that information and communication technology has increasingly been an important tool used in differentiation strategy for incubator companies because it enables firms to reduce cost and keep abreast with the new trends in the industry. Further findings show that focus strategy is critical in incubator companies.

4.6 Competitive Advantage

The study sought to establish the competitive advantage of the incubator companies. The respondents were presented with various sources of competitive advantage to rate on a 5-point Likert scale. Findings indicated that company's resource was a source of competitive advantage to a great extent as shown by a mean of 3.9244. It was also established that technology adoption and customer service was a source of competitive advantage as represented by mean of 4.1095 and 3.8952 respectively. Further findings showed that other sources of competitive advantage that were adopted to a great extent were: company reputation (M=3.8333, SD=.9338), superior or unique products/services (M=4.0750, SD=.7040) and low prices charged on products/services (M=3.5095, SD=.8477). Table 4.4 show a summary of further findings of the study.

Table 4.4: Competitive Advantage

Sources of competitive advantage	**Mean**	**Std. Deviation**
Company’s resources	3.9244	.7062
Technology adoption	4.1095	.8737
Customer service	3.8952	.6373
Company reputation	3.8333	.9338
Superior or unique products/services	4.0750	.7040
Low prices charged on products/services	3.5095	.8477

Source: Field survey, 2018

A firm has competitive advantage when it implements the strategy of value creation which cannot be easily copied and replicated by other rivals. It is therefore crucial for incubator companies to gain, sustain and increase competitive advantage by using unique resources in their disposal. The incubator companies should also do external environmental analysis to spot opportunities and threats. Similarly internal environmental analysis should be done to ascertain and make use of unique competencies.

4.7 Enterprise Growth

To measure enterprise growth of the incubator companies, the respondents were asked to evaluate their growth over the last five years using the following dimensions: enterprise growth, company profits, market share and number of employees. The year 2012 was set as the benchmark which was equal to 100%. The findings are presented as illustrated in table 4.5.

Table 4.5: Enterprise Growth

Constructs considered	Annual growth or decline as a percentage (%) age						Average Annual growth
	2012=100%	**2013**	**2014**	**2015**	**2016**	**2017**	
Company profits	100%	22	23	23	24	31	24.6
Employee numbers	100	2	2	3	3	3	3
Market Share/Number of customers	100%	22	23	23	24	24	23.2
Enterprise turnover	100%	15	15	20	21	24	19

Source: Field survey, 2018

From the findings on enterprise growth with 2012 being the base year and benchmarked at 100%, the year 2013 company profits had a score of (22%), the year 2014 was (23%), the year 2015 score was (23%), a mean score of (24%) for 2016 with the year 2017 having the highest average profit of (31%). In terms of the number of employees, there was an average increase of 2 employees in 2013, 2 in 2014, of 3 in 2015, of 3 in 2016 with a mean of 3 employees in 2017. The market share increased by 22% in 2013 and 23% in 2014 and 2015. In 2016 and 2017, the market share increased by (24%) showing a positive increase of (1%) as compared to the previous years. enterprise turnover was highest in 2017 with a mean of 24%.

4.8 Correlation Analysis

In seeking to establish the competitive advantage of the incubator companies, Pearson's Product Moment Correlation was used. The study examined the independent variables' (sources of competitive advantage) and dependent variable (enterprise growth) at a confidence level of 95%. The range in Pearson Product Moment of Correlation is given as: -1< r +1; where 0 to 0.29 is considered a weak positive correlation, 0.3-0.49 is a moderately positive correlation; and 0.5-1 implying strong positive correlation. On negative correlations, the reverse holds where 0 to -0.29 is a weak negative correlation; -0.3 to -0.49 moderately negative correlation; and -0.5 to -1 corresponding to strong negative correlation. The findings are summarised in table 4.6.

Table 4.6: Correlation Analysis

	Company's resources	Technology adoption	Customer service	Company reputation	Superior products/services	Low prices on products/services	Enterprise Growth
Company's resources	1						
Technology adoption	0.904	1					
Customer service	0.554	0.639	1				
Company reputation	0.853	0.509	0.710	1			
Superior products/services	0.906	0.723	0.519	0.5091	1		
Low prices on products/services	0.765	0.681	0.470	0.8227	0.6773	1	
Enterprise Growth	0.706	0.827	0.638	0.622	0.805	0.520	1

The results indicate that all the predictor variables namely: company's resources, technology adoption, customer service, company reputation, superior products/services and low prices on products/services has positive but strong relationship with enterprise growth. Technology adoption, superior products/services and company's resources had very strong correlation coefficients of 0.827, 0.805 and 0.706 respectively. The correlation coefficients of customer service, company reputation and low prices on products/services were 0.638, 0.622 and 0.520 respectively. The correlation coefficients were positive and statistically significant implying that an increase in any of the predictor variables would lead to an increase in enterprise growth for the incubator companies.

4.9 Discussion

It was established that the incubator companies are facing stiff competition from other local and foreign companies in Kenya. The factors determining the intensity of competition among the incubator firms were: competitive rivalry, ability of buyers to bargain, abilities of suppliers to bargain, and the constant threat of new market entrants as well as the existence of substitute goods/services.

Organizations often have different objectives. Several entities are enterprises focusing on growth, yet some are more traditionally focused (Covin & Slevin, 1991). A variety of stakeholders in the incubation sector prioritize their goals differently (Freeman, 1984). Governments and local societies may underscore the value of job creation and revenues generated through tax collections; the priority for venture capitalists on the other hand rests on profits or return on their investment, while proprietors or management would focus on firm's contribution toward the creation of nice, safe and attractive environment. Firms' objectives also often vary with the size and age of the organization.

According to Porter (1985) for a firm to adopt low cost leadership as a strategy, it must be operating under a very efficient production line and have productive systems for it to gain a competitive edge. The firm delivers the same services to its customers as its competitors but at a much lower cost (Porter, 1988). A firm implementing a differentiation strategy must enjoy the benefit of price elasticity of demand for its products or services which would as a result benefit the firm from potential severe price competition and enable it to charge a premium price. Focus strategy can achieve competitive advantage by having special dedication to segments that are better served by the firm than the competition.

In the field of Strategic Management, researchers have taken crucial steps towards the classification of competitive strategy. More precisely, the formulation of strategy-structure performance approach has immensely enhanced the understanding of how businesses adapt to the ever-changing market place environment (Porter, 1980). According to (Mintzberg, 1988), the primary framework of these exigency strategic prototypes is to provide the basis of linkages between conditions in the market and the strategic and organizational competencies of business entities. A few of these studies explored the strategies and resources in small organizations; majority however, often concentrated on large organizations (Smith, Guthrie, & Chen, 1989). Most studies do focus on large corporations which compete internationally about their strategies and resources (Kim & Lim, 1998). On the contrary, in many countries and industries markets are often characterized by small-scale manufacturing firms and limited competition across the region. Such markets often have many of small firms, each with relatively low market shares.

Porter (1980) is a major contribution in the understanding of the concept of competitive strategy. He makes clear distinction between differentiation and cost leadership, for instance in pricing tactics and holds that the two methods may not necessarily have the same level of focus. Differentiation and cost leadership should be viewed from the different ends of a continuum which as a result may not occur concurrently. Generally, micro small enterprises are often expected to adopt differentiation mechanisms because such firms rarely benefit from the adoption or utilization of economies of scale. In a study conducted by Segev (1989), a comparison is made between differentiation strategies and Miles and Snow's (1978) prospectors while cost leadership (price strategies) could assume or be weighed against the role of defenders.

The findings of the study are supported by the propositions of resource-based theory and Porter’s Five Forces Model. Resource based theory supports the fact that the incubator companies at the Nairobi Garage leverage on company’s resources to produce unique products and services. This means that the resources they possess are valuable, rare, inimitable, non-substitutable hence becoming a source of competitive advantage. These resources involve all assets, processes, capabilities, knowledge, information and firm attributes controlled by an organization that can be used to formulate and implement strategies that increase effectiveness and efficiency leading to superior performance. Based on the Resource based theory, competitive advantage of a firm depends on the resources a firm has in its possession that sets it apart from the rivals. These resources must have the following characteristics; durability, inimitability and non-substitutability (Zaridis, 2009). Some of the incubator companies have strong intangible assets while others have tangible assets; both assets enable them to create competitive advantage ahead of their competitors. The resources that are easy to identify include; technological, financial, human resource, and physical resources.

The findings of the study concur with Porter’s Five Forces Model. This is because the incubator companies at the Nairobi garage just like any other firm in the market face the five competitive forces, namely; bargaining power of suppliers, bargaining power of customers, threat of substitutes, threat of new entrants and rivalry among existing firms. Arising from technological advancement and competition, the business strategies are dynamic and changing to acquire greater standards across all the business operations.

Porter indicates that companies can record superior performance by implementing multiple strategies to develop distinct business units for each of the strategy because clients usually seek multiple traits of a product to gain optimum utility. This mix could be price, quality, style or convenience among other characteristics of products and services (Barney, 2007). The adoption of this theory by incubator companies is likely to steer their competitiveness to enable them to survive in the industry in which they operate. The incubator companies studied recorded a steady growth over the last five years. In terms of short or long term strategy objectives, growth-oriented enterprises are more inclined to pursuing long-term growth rather than short-term gains. The identified measures of enterprise growth variables consist of: profits, number of employees, turnover and market share.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study and draws conclusion from the findings. The recommendations of the study and areas for further research are also discussed.

5.2 Summary of Findings

It was established that many of the business incubator firms were providing services and products falling in three categories: Information and communication technology, service and trading. The challenges facing the incubator companies include intense competition, their potential capacity to adjust to fast and dynamic market demands, constant technological changes, and capacity inadequacies associated with knowledge, creativity and innovation. It was also established that the major competitors of incubator companies were other well established local and foreign firms in Kenya dealing with products and services like those offered by the incubator firms. The respondents also indicated that availability of close substitutes also put pressure on the incubator companies. The study also investigated the factors determining the intensity of competition among the incubator firms. The respondents agreed that competitive rivalry was among the factors that determined intensity of competition. The other factors include: the ability of buyers and suppliers to bargain, threat of new entrants in the market and existence of alternate goods/services.

The study also set out to determine the extent to which the incubator companies had adopted competitive strategies. The respondents indicated that the incubator companies adopted cost leadership strategy to a large extent. In addition, the incubator companies also adopted differentiation and focus strategies to a large extent.

The findings indicated that company's resources were to a large degree responsible for generating competitive advantage. The study also found out that the adoption of technology and customer service were sources of competitive advantage. Further findings showed that other sources of competitive advantage that were adopted to a great extent were: company reputation, superior or unique products/services and low prices charged on products/services.

To measure their enterprise growth, the respondents were asked to evaluate their growth over the last five years using the following dimensions: enterprise profits, employee numbers, market share/number of customers, and enterprise turnover/growth in sales. All these were benchmarked to 100% in 2012 as the base year. The incubators recorded stable growth over the last five years.

5.3 Conclusions

The study revealed that for the incubator companies to ensure that they apply sustainable competitive strategies, they must constantly monitor other companies and businesses, as well as scan their operating environment, to overcome all the challenges that may impede their pursuit of organizational goals. Any business should strive to satisfy a real customer need. Usually, identifying a customer need is the first step to creating a business. The first step of formulating a competitive strategy framework is therefore to identify a real need that exists for a specific customer segment.

The conclusion made from the findings therefore is that cost leadership or low cost mechanism is best implemented in a scenario where a business organization; plans, produces and markets its products more efficiently than its rival or competitors. In this case, enterprises need not forego profits or revenues to occupy the position of a cost leader since the same result can be gotten through the attainment of a large market share.

From the study it can be concluded that innovation occupies a central place in the formulation of differentiation strategies. Innovation ultimately results into processes, services and products that make the firm more competitive. However, there are inherent risks linked to the use of differentiation strategy as an exclusive source of competitive advantage. These risks include replication by competitors and susceptibility to changing client tastes or preferences. Incubator companies must be alert to such threats by continuously scanning the market to ensure such risks are identified early enough and ensure necessary steps are taken to mitigate the risk to defend their market share.

It is also concluded that a cultivating a closer and much stronger relationship with clients can be attained by a business firm through the use of focus strategy which facilitates the monitoring of customers' needs. The risks associated with focus strategy emanates from its vulnerability to the industry's bigger players such as suppliers. This is due to the fact that smaller firms transacts in smaller quantities and cannot therefore take advantage of the economies of scale.

5.4 Recommendations from the study

It is the recommendation of the study that incubator companies invest and make maximum use of cost leadership strategies particularly by developing a close networking relationship with suppliers; service providers, and; other supplementary entities capable of facilitating the development of competitive advantage in the market.

The management of incubator companies ought to focus and invest more on differentiation as it could be used as a major competitive advantage tool against competitors in the industry and it can guarantee the long-term survival of the organization. In the long term, it is recommended that incubator firms invest and put emphasis on differentiation strategies that will help them reap the benefits of strong brands in the market.

From the foregoing findings and conclusions, the study recommends that incubator companies should consider various factors in coming up with competitive strategies. These are the operating environment factors as well as the competitive environment monitoring, which changes over short periods of time. Incubator companies must develop processes of collecting intelligence in the markets they operate from, integrate best practices that are at par with optimal international standards and ensure they stay in touch to receive real-time feedback from customers. This is most important as it guarantees continuous upgrading of the firms' products based on prevailing market demands.

5.5 Limitations of the Study

There were limitations identified in this study which could be impediments to the research, and they constituted potential vulnerabilities that arose from available data including the sample size. Another limitation is related to non- cooperation with some of the respondents who refused to fill in the questioners that were provided hence limitation on information gathered.

5.6 Suggestions for Further Research

The scope of this study was constrained to incubator companies at Nairobi Garage. The study therefore strongly suggests that a similar study could be undertaken on other incubation hubs to determine concurrence with results of this study. This study also suggests that a research study could be carried out to determine factors influencing effective implementation of competitive strategies by incubator companies.

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APPENDICES

Appendix I: Letter of Introduction

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SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 9/11/2018

TO WHOM IT MAY CONCERN

The bearer of this letter ANNE AKOTH MISERE

Registration No. D61/78974/2015

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
09 NOV 2018

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS

Appendix II: Incubator Companies at Nairobi Garage, Nairobi County, Kenya as at November 2018.

1. SMD Technologies
2. Finplus
3. Grainger Gassy Limited
4. AR9
5. Civic Media Kenya Foundation (Code for Kenya)
6. FUZU
7. Mdundo
8. Trine AB
9. SES MICROGRIDS KENYA
10. Fie Consultant
11. Africa snowman
12. Dachi Ltd
13. Nifty Works
14. Soteria Solutions Ltd
15. Kroll
16. Buupass
17. Yoco
18. Mobisol B2B
19. KING BEVERAGE
20. Newquest
21. Mattermark
22. Remit4Health
23. CLASP
24. Just Palm
25. Endless Solutions
26. Aphya System LLP
27. Realpesa
28. Invest ED
29. WazInsure
30. UFEA Trading
31. The Great Mushrooms Company Limited
32. Peach Payments Kenya Limited
33. Andaa Capital Limited
34. Kwaduara Limited

35. East Africa Private Equity and Venture Capital Association
36. Nendo
37. Dylan Group
38. Brave
39. Eugene Mutai
40. Value Connect Management Consultancy
41. BlueOrchard
42. Kenya Impact Innovation Foundation
43. Creative Action Institute
44. Sam Floy
45. Approach Technical Limited
46. Liquid Telecom Kenya
47. Nabaleka Digital Solutions
48. African Leadership (Mauritius) Ltd
49. eLengo
50. O-Play Kenya Limited
51. Duma Works Ltd
52. Telescope Services
53. Co2balance
54. Jumba Group Limited
55. World Leaders of Today
56. Child Doctor Kenya
57. Digital Unit
58. The Marketworks Limited
59. Asoko Insight Ltd
60. Mwaloni Limited
61. Talentgurus@254
62. Jenga Tech Solutions Limited
63. Bluesky Innovations Limited
64. Earthnique
65. Bizna Digital Services
66. Africa Mini Grid Developers Association
67. Monikos Limited
68. Baruu Collective

69. Meltwater Entrepreneurial School of Technology
70. Edel Digital
71. Annona
72. Tripple D Media.
73. Scopic Africa
74. Africa Social Financing Centre Ltd
75. Noah Hofmann
76. Tendo Software Technologies
77. DAVN Experience Limited
78. Upscale Dynamics
79. Crypto Adoption
80. Biashara Savvy Limited
81. Aeternity Africa
82. African Leadership Finance company
83. Derisked Limited
84. Brian Prince
85. BGI Europe
86. Asaana Solutions Limited

Source: Nairobi Garage (2018)

Appendix III: Questionnaire

Answer all the questions by ticking where necessary and filling in the spaces provided as appropriate. (All the information provided will be regarded as confidential).

TOPIC: COMPETITIVE STRATEGIES FOR ENTERPRISE GROWTH ADOPTED BY INCUBATOR COMPANIES AT NAIROBI GARAGE, NAIROBI COUNTY, KENYA

SECTION A: COMPANY PROFILE

1. What is your company's name? ……………………………………
2. For how long has the company been operational in Kenya?

   0 – 2 years ☐ 3-5 years ☐ More than 5 years ☐

3. Does your company have other branches outside Kenya?

   Yes ☐ No ☐

   If yes, specify countries ……………………………………………………….

4. What is the form of ownership of your company in Kenya?

   Local ☐ Foreign ☐ Both ☐

5. What is your company size in terms of employee numbers in Kenya?

   1-10 ☐ ☐ 11-20 ☐ 21-30 ☐ Above 30

In the sections that follow, please answer in relation to your company's Kenyan operations.

SECTION B: COMPETITION

6. What is your core business activity in terms of service/product offering?

   ………………………………………………………………………………………

   ……………………………………………………………………………………

7. Competition usually happens when two or more organizations act independently to sell their products/services to the same group of buyers:
   a. Who do you consider as your major competitors?

      …………………………………………………………………………………

      …………………………………………………………………………………

      How would you describe the level of competition in the market in which you serve?

…………………………………………………………………………………
…………………………………………………………………………………
…………………………………………………………………………

8. The availability of substitute services or products in any market will give customers choices as well as affect price that a company can charge for their product or service:
   a. Does substitute products/services for your products/services exist in the market?

      Yes ☐ No ☐

   b. If so how do you ensure that you remain relevant to your customers given the availability of substitutes?

      …………………………………………………………………………………
      …………………………………………………………………………………
      …………………………………………………………………………

9. Any sustainable business should have a reliable supplier network and build a good relationship with them. In view of this;
   a. Do you have any major suppliers you are dealing with?

      Yes ☐ No ☐

   b. How long have you had a business relationship with your longest standing suppliers? ………………………………………………………………..

   c. Have you experienced any difficulties in your supply chains?

      …………………………………………………………………………………
      …………………………………………………………………………………
      …………………………………………………………………………

      If yes, how did this affect your operations and competitiveness?

      …………………………………………………………………………………
      …………………………………………………………………………………
      …………………………………………………………………………

10. The startup environment is very dynamic with potential new entrants in different industries given the supportive business environment Kenya is enjoying now.
    a. Have you had to make any significant adjustments in the past because of new entrants in the market to remain competitive?

    ………………………………………………………………………………………
    ………………………………………………………………………………………
    ……………………………………………………………………………

    b. Are there any challenges posed to your company with the entry of new competitors into the market? Explain

    ………………………………………………………………………………………
    ………………………………………………………………………………………
    ……………………………………………………………………………
11. To what extent does the following factors contribute to the level of competition in the industry in which your company operate?
    [5] Very Great Extent [4] Great Extent [3] Moderate Extent [2] Low Extent
    [1] Very Low Extent to Not at all

Factor determining intensity of competition	**Intensity of competition**				
	1	2	3	4	5
Competitive rivalry					
Bargaining power of buyers					
Bargaining power of suppliers					
Threat of new entrants					
Existence of substitute goods/services					

SECTION C: COMPETITIVE STRATEGIES

12. To what extent does your company adopt any of the listed strategies?

5-point Likert scale where: 5=Very Great Extent, 4=Great Extent, 3=Moderate Extent, 2=Low Extent, 3=Very low extent.

Strategy	Level of Adoption				
	1	2	3	4	5
Cost Leadership Strategy					
Differentiation Strategy					
Focus Strategy					

13. How do you price your products/services? (Tick as appropriate)

☐ Above competitor prices ☐ Same as competitor prices

☐ Below competitors' prices ☐ Don't know

14. Which competitive strategies does your company use to ensure it survive in the turbulent market? List as many as is applicable.

SECTION D: COMPETITIVE ADVANTAGE

15. Indicate where appropriate, the extent to which the following contribute to your company's competitive advantage in the industry.

    [1] Very Great Extent [2] Great Extent [3] Moderate Extent [4] Low Extent

    [5] Very Low Extent to Not at all

Sources of competitive advantage	Contribution to Competitive Advantage				
	1	2	3	4	5
Company's resources					

Technology adoption					
Customer service					
Company reputation					
Superior or unique products/services					
Low prices charged on products/services					

16. By targeting a group of customers in the market, a company can attract and maintain customers.
    a. Who is your target market?
    ………………………………………………………………………………………
    …………………………………………………………………………………
    b. How do you ensure you stay visible to your customers?
    ………………………………………………………………………………………
    ……………………………………………………………………………………
17. What major advantages would you say you have over your competitors?
    ……………………………………………………………………………………………
    …………………………………………………………………………………………

SECTION E: ENTERPRISE GROWTH

18. Provide the percentage increase or decrease in the following. The benchmark is 10%

Constructs considered	**Annual growth or decline as a percentage (%) age**						**Overall Annual growth**
	2012=100%	**2013**	**2014**	**2015**	**2016**	**2017**	
Company profits							
Employee numbers							
Market Share							

Enterprise turnover							
Net assets							
ROI, ROS and ROE							

16. On overall, how would you rate the success of your enterprise for the past 5 years?

Exceptional growth ☐ Satisfactory growth ☐ No growth ☐
Negative Growth ☐