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by Charles Wanyoike

Submission date: 01-Nov-2019 12:58PM (UTC-0500)

Submission ID: 1205092523

File name: wanja_Final_copy_tHREE.doc (542K)

Word count: 9760

Character count: 57156

**STRATEGIES ADOPTED BY EAST AFRICA BREWERIES
LIMITED TO GAIN COMPETITIVE ADVANTAGE**

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D61/7635/2017

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

NOVEMBER, 2019

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LIST OF ABBREVIATIONS

EABL	East Africa Breweries Limited
KWAL	Kenya Wine Agency Limited
SMEs	³ Small and Medium Enterprises

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Organization capacity to achieve its long-term goals is dependent on its strategy. Hence, it is necessary for corporations to monitor their operating environment with sole of aligning their strategy with desired organization competitiveness and performance (Malburg, 2007). Decision making by organizations should be supported by strategic choices and target market niche which would create implementation of strategies which has not been adopted by rivals (Sharon & Barney, 2007). It has been documented that strategic management has causality with competitive advantage (Asante & Adu-Damoah, 2018). This is based on the fact that strategic management creates organization capabilities which propels performance as compared to rivals. According to Bansal (2008) adoption of low cost or product differentiation aid in discovery of competitive advantage.

Studies have been conducted over the years with regard ³⁸ strategies adopted by organisations in order to gain competitive advantage by researchers such as Stacey (2003), in that rational analysis tends to dominate over innovation and creativity. The rational approach is based on assumptions relating to measurability, control in business and predictability. There has been an evolution and move from strategic planning to more emphasis on strategic management as a process and not just an event.

Many theories have been fronted with regards to strategy and competitive advantage. This study shall focus on three theories namely; Porters Generic strategies, Ansoff Growth strategy and Blue Ocean strategy. Porter (1980) developed generic strategies

which were based on ¹⁰ cost leadership, differentiation and focus. The model argued that failure of corporation to focus on trio would lead to massive business loss and misappropriation of resources.

Ansoff growth strategies were brought forth by (Ansoff, 2007). These strategies argue that business owners have capacity to propel their corporation to growth levels that they anticipate, contingent to current and new markets and products. This matrix was embraced by business leaders as viable yardstick for evaluating their growth potentials. Blue ocean strategy is a marketing strategy advocated for by Kim and Mauborgne (2004). According to them market share ¹⁶ can be classified into red and blue ocean. In red ocean tradition market penetration strategies are exploited and they are massive competition and cannibalization leading to blood spilling. In blue ocean market competition is controlled by market leaders since products and services are value driven.

The context of the study was East African Breweries Limited which is a key player ⁹ in the brewing industry in Kenya. The study will be looking into the ³ strategies adopted by EABL to gain a competitive advantage in an industry where customers have a variety of brands of beers they can choose from, whether international companies with local presence or locally manufactured brews by local companies.

³ 1.1.1 The Concept of Strategy

Organization ³ strategy can be formal or informal (Porter, 1985). Incorporation of strategy in an organization aids in creation of defensible capacity which out smarts competitors. According to Porter (1985) institution capacity to pursue ¹⁰ generic strategies which are cost leadership, differentiation and focus has significant

contribution to organization performance as compared to rivals. Corporations are deemed to be competitive if they have capacity to deliver goods and services at lower prices as compared to their rivals, its full benefit are achieved whenever they produce superior products in comparison to their substitutes.

Proponents for adoption of strategies have linked organization performance to specific firm strategy adoption. This will aide in response to business environment change and configuration of organization structure to be in line with its mission and vision (Kamau, 2015). Empirical scholars have argued that organization capacity to outperform its rivals is anchored on its capacity to align its market activity to be in line with capturing and protecting its market share through product innovation and prudent creation of harmonious distribution channels (Zekiri & Nedelea, 2011). This will ultimately construct and maintain competitive advantage which erode rival's capacity to cannibalize specific company market share.

1 **1.1.2 The Concept of Competitive Advantage**

Competitive advantage is organization capacity to exceed its operational costs in all investment activities they undertake (Ndung'u, 2012). Institutions which have competitive advantage have capacity to generate more sales revenue and retain more customers as compared to their rivals (Hussein, 2011). Further, Samira (2013) perceived it to be unique position enjoyed by a firm in comparison to rivals though it's contingent on optimal utilization of resources.

Organisations enjoy competitive advantage if they have capacity to penetrate new markets, retain existing customers, optimize resources economic value addition and minimize their operational cost (Kamau, 2015). Caution has to be exercised because

there is no immunity and guarantee of sustainable competitive advantage. Hence, an organization should identify rare, non-corruptible and non-substantiable resources and develop measures geared towards elimination of their redundancy and spillage (Zedekili & Nedelea, 2011).

1.1.3 Brewing Industry in Kenya

Beer brewing dates back in 1922 when two brothers, Charles and George Hurst from England started beer brewing in Kenya (Evelyn and Margaret, 2005). The two formed a private company called Kenya Breweries Limited and they delivered the first batch of malted barley beer to New Stanley Hotel in 1929. The first lager beer was brewed and sold in 1930 while in 1938 the company won the first brewing award in an international competition. Kenya Breweries Limited expanded its operations and acquired Tanganyika Breweries and later changed its name to East African Breweries Limited. It became a public company in 1934 and a holding company in 1962 after merging with Allsops EA Ltd.

A Kenyan owned brewing company named Keroche Industries started operations in 2008 with the aim of tapping consumer loyalty amongst the growing middle class earners in Kenya. It was majorly funded by a KShs 1 Billion loan from the Barclay Bank of Kenya Ltd in its beer plant in Naivasha. The bottle capacity per day is 40,000 in comparison to EABL's 176,000 bottles per hour capacity. The company's brands include Summit Lager, Vienna and Summit Malt. Keroche Industries hoped to take up a share of 25-30 percent of the market share in 5 years from its time of launching.

Kenya Wine Agencies Limited (KWAL) is another competitor in the brewing industry. It majorly focuses on wines and spirits and commands a large market share

of this. EABL's Richot is given a run for its money by Viceroy of KWAL which is preferred by many brandy users in the market.

In 2005, Heineken Limited a multinational company, a Dutch brewer, joined the Kenyan market. Maxam, the sole distributors of Heineken invested more than KShs 20 million in building a distribution channel for Heineken and marketing taking up KShs 25 million. Heineken is a premium beer targeted at executives.

Sierra Brewery has a range of brands which are considered to be high end and include Sierra Stout, Sierra Amber, and Sierra Blonde. The set up costs for this brewer amounted to slightly more than KShs 500 million. The organisation's marketing strategy is not deemed to be aggressive with the beers mainly sold in supermarkets and not bars.

Currently in Kenya, the legal brewing companies take up around 65% of the market share while the rest of the market is controlled by illicit home-made brews which are usually laced with industrial chemicals.

²⁸ **1.1.4 East African Breweries Limited**

East Africa Breweries Limited (EABL) is alcoholic beverage manufacturing companies headquartered in Nairobi. Its main products are beer, spirit and non-alcoholic beverages such as alvaro. EABL has ³⁷ subsidiaries in Tanzania, South Sudan and Uganda. In Rwanda, Congo DR, Rwanda and Burudi it has distribution points. The main product for EABL is Tusker which is dominant in the market and has retailed an average of 700,000 litres per annum. Tusker traces its history to 1923 as commemoration of Kenya Breweries limited founder ⁶ George Hurst who was killed by an elephant while hunting. In Uganda dominant brand is Waragi with alcohol content

of 40% ABV, this Ugandan traditional liquor which is distilled from millet. It distributed in Rwanda, Congo DR and Sudan.

To achieve corporate social responsibility, EABL launched EABL foundation in 2005. Through it EABL has enhanced in provision of quality water, education and capacity building, environment management and conservation, health and specially identified projects. Skills and education programs are blended with undergraduate scholarship in Kenya, Uganda and Tanzania. Notable corporate social responsibility programs are optical centre in Moshi, support of Ugandan sickle cell association and Ultra sound support in Kirwara Hospital in Kiambu County, Thika Sub County. Notable special projects in disaster prepared support in hunger alleviation through Save a Life fund in which EABL donated approximately KShs. 14 million. EABL partnered in Kenya Premier League and they support Tusker football club which has worn Kenya championship title around eight times and three Kenyan cup win. It has also been crowned CECAFA winner for four times.

There is course for concern on state of EABL performance which dimmed by 15% from financial year 2018. This decline was blamed to external threats and macro-economic environment which dimmed fortunes of EABL. There is need for internal preparedness to cushion EABL from external threats which the firm may have limited control.

1.2 Research Problem

An organization needs to adopt strategies that can give it a competitive advantage against its competitors. A strategy involves a more skill-based innovation, critical thinking, strategic thinking, the art of warfare and positioning (Sidorowicz 2007).

Competitive advantage is achieved through corporation capacity to respond to clients' needs through blending their demand with goods and services that they provide. Consequently, corporations have developed strategies to optimize likelihood of survival in dynamic business operating environment (Johnson, Scholes & Whittington, 2010). Competitive advantage is contingent to strategies since they will guide not only on acquisition of resources but also allocation. Careful evaluation of strategic choices should be undertaken to eliminate possibilities of resources spillage and misappropriation. Asante and Adu-Damoah (2018) argued that organization competitive advantage is anchored on its capacity to align its resources and capabilities to demand which is guided by their goals and objectives.

EABL takes up the largest ³⁶ market share in the Kenyan beer industry competing with other brands of locally and internationally brewed beers. Although it is the largest market share holder, the growth has not been steady due to economic hardships, stiff competition, low consumer spending and high taxes affecting it.

Studies on strategies adopted by organisations to gain a competitive advantage have not been conclusive since differing findings have been reported. For instance; Murage (2011) reported positive contribution of strategies in petroleum sector. These findings may not be generalized in EABL owing to heterogeneity of industry specific risks. Gathogo (2011) argued that commercial banks performance in Kenya was positively affected by competitive strategies. Financial industry is highly regulated as compared to EABL which may have influence on choices of strategies adopted. Arasa and Githinji (2014) found positive ²⁷ effect of competitive strategies on performance of telecommunication firms in Kenya. Telecommunication industry has limited players as compared to alcoholic and beverage sector which may have influence on choice of

strategy. Muia (2017) reported ⁴ positive significant influence of strategies on performance of insurance companies in Kenya.

There is no known qualitative study in Kenya which has been done ³⁵ on strategies adopted by EABL to gain a competitive advantage. This ⁹ study therefore, sought to fill this gap. What are the strategies adopted by East African Breweries Limited to gain a ¹ competitive advantage?

1.3 Objectives of the Study

The objective of this study was to evaluate the strategies adopted by ⁴¹ East Africa Breweries Limited to gain a ¹ competitive advantage.

1.4 Value of the Study

This study seeks to evaluate ³⁹ strategies adopted by EABL to gain a competitive advantage. The study is expected to contribute empirically, theoretically, contextually, methodologically and through policy development. Contextually, management of EABL will benefit courtesy of in-depth analysis of corporate strategies and competitive advantage. It will aid in elaborating and clarifying value contribution of strategy mix adopted by EABL and how it positions them competitively. Also, the study may document dominant strategy adopt by EABL and short comings associated with strategic choices by EABL.

The government relies on direct and indirect taxation to finance its operations. Clarity ³ on strategies adopted by EABL to gain competitive advantage would aid in planning for taxes to be raised not only from EABL but also from alcoholic beverage companies and any manufacturing company in related industry sector. Also,

partnership areas can be easily identified courtesy of understanding strategies adopted and consequently policies which may inhibit optimal operations may be devised and minimize unemployment and foster economic growth and development.

Researcher may benefit from the study through its methodological contribution and authentication of findings on nexus for the strategies adopted by EABL to gain a competitive advantage. Symbiotic examination on the effect of strategies adopted by EABL to gain competitive advantage would customize empirical enquiry to alcoholic beverage manufacturing companies which may be exposed to competition from substitutes.

³ CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Currently an in-depth analysis on strategies adopted to gain a competitive advantage will be discussed. Theoretical foundation, strategies models will be presented. Local

and empirical studies on strategy. Research gaps emanating from the study will be discussed.

⁴ 2.2 Theoretical Foundation of the Study

Theoretical foundation ¹¹ will be based on Porters Generic strategies, Ansoff Growth Strategies and Blue Ocean Strategy. Arguments and relevance ⁴ of these theories in the study are presented.

2.2.1 Porters Generic Competitive Strategies

Porter (1980) developed generic strategies which were based on ¹⁰ cost leadership, differentiation and focus. The model argued that failure of corporation to focus on trio would lead to massive business loss and misappropriation of resources. Subsequent empirical enquiries on the trio have cemented that they have capacity to stimulate corporation competitive advantage (Hilman, 2009). Though, they cautioned that corporation competitive advantage is anchored on strategy alignment with its goals and objectives (Muia, 2017).

Cost leadership strategy; corporation produces their goods in the lowest price and enhance its capacity to gain competitive advantage (Davidson, 2008). Cost advantage is achieved through pursuance of economics of scale, incorporation of technology in production process and adoption of vertical merger with producers of raw materials (Malburg, 2007). According to Muia (2017) adoption of cost leadership strategy enhances organization capacity to develop internal strength. Moreover, organization should devise measures to acquire capital for acquisition of production machines. In fact, organization ability to ³ achieve and sustain cost leadership, then it will enhance performance as compared to their competitors.

Differentiation strategy is achieved through development of goods and services which are customized to customer unique needs and have superior quality as compared to their rivals (Davidson, 2008). Product uniqueness may increase corporation returns through charging of premium on goods and services. Corporation that has adopted differentiation strategy has unique characteristics such as improved corporate reputation due to quality service delivery and innovation.

Focus strategy is based on organization selection of narrow market niche aimed at achieving cost advantage and differentiation. Focused strategy promotes customer retention and loyalty which hinders competitor's capacity to cannibalize firm's market share. The greatest threat with adoption of focus strategy is narrowing market share due to contraction of bargaining power. This may be altered through passing of costs to customers due to no-existent of close substitute goods and services. Focused strategy has enabled corporation development of tailored products and services which strengthens market share dominance (Karikari, 2015).

Corporation ought to be prepared on measures geared on responding to external threats and opportunities. This will be possible courtesy through synchronization of competitive strategies with its goals and objectives. This will create value addition through competitive advantage and minimize likelihood of market share cannibalization. Market share protection would promote customer loyalty and optimize their retention.

2.2.2 Ansoff Growth Strategies

These growth strategies were brought forth by (Ansoff, 2007). These strategies argue that business owners have capacity to propel their corporation to growth levels that

they anticipate, contingent to current and new markets and products. This matrix was embraced by business leaders as viable yardstick for evaluating their growth potentials. The matrix has four segments which ⁴² are “market penetration strategy, market development strategy, product development strategy and diversification strategy”.

In **market penetration strategy**, corporations have to explore existing markets and products and it tries to exploit it through cannibalization of rival’s market share. It is achieved through optimization of market potential in existing market share, through increased sales or recruitment of new customers. It is achieved through aggressive, focused and customized distribution of company goods. To optimize on it, corporations may reduce their prices, complement their distribution channels and refine their products to align to their client’s needs (Ansoff, 2007).

Market development strategy is anchored on corporation capacity to venture into new markets and products. Through this corporations expand their market share by issue existing products and services. This is anchored on distribution of goods to new customer segments, wide geographical coverage and entry into foreign markets. Its significant contribution is anchored on organization capacity to blend its products with technological development and stability of newly penetrated markets. Moreover, ability of corporation to optimize on economics of scale increases its output (Ansoff, 2007).

Product development strategy consists of entry into existing market with new products. The sole purpose is to grow the corporation through development of new products and services. Consequently, corporation product base increases and customers would have wide variety to choose from. Ansoff (2007) argues that

corporation that have robust research and development departments have higher likelihood of introducing new products which may address specific customer's needs. Also, corporation may broaden their product base through acquisition of their rivals, joint venturing with multinationals and acquisition of patents from other firms.

Diversification strategy is based on firm's capacity to penetrate in new markets and products. Corporations are deemed to be diversified if they can respond to new market needs and protect cannibalization of their existing market share through amplified customer satisfaction and loyalty. Although, it has the highest corporation benefits its risk levels are high since there is need to venture into new market and develop new products. This is because business expands into areas it was not previously operating. Its returns levels are not guaranteed since higher costs are incurred in development, promotion and marketing of new products (Ansoff, 2007).

The model is appropriate for the study since there is need for corporation to embrace strategies geared towards creation of market dominance in their respective areas of operations. This will enhance capacity of corporation to achieve competitive advantage as compared to rivals in alcoholic beverage industry.

³⁰ **2.2.3 Blue Ocean Strategy**

Blue ocean strategy is a marketing strategy advocated for by Kim and Mauborgne (2004). According to them market share ¹⁶ can be classified into red and blue ocean. In red ocean tradition market penetration strategies are exploited and they are massive competition and cannibalization leading to blood spilling. In blue ocean market competition is controlled by market leaders since products and services are value

driven. Those who venture in blue ocean controls the demand for their goods and services hence they mitigate competitive behaviors and unlock unknown potentials.

According to ³³ Kim and Mauborgne (2004) there are no barriers to control in current market state thus firms fail to achieve competitive advantage at optimal costs. It is mostly characterized by overcrowding of similar and interrelated products which can substitute each other and decreases each other market share and profitability. These competitive behaviors have long-term effect on performance of these companies. In this market it would be hard for corporations to please their customers since they have wider baskets to draw their goods and services from. In Blue Ocean market there are few and Limited products and services. This minimizes competition and enhances market dominance. Through, this corporation continued market growth can be guaranteed if customers are satisfied with the quality of services accorded unto them. This will amplify profitability levels and increase market share as they control market share.

2.3 Strategy in Organisations

This is a long term-dynamic plan which maps the route to be followed by an organisation towards realisation of an organisation's vision and goals. Strategy allows organisations to see the bigger picture and help them align resources to areas of the most beneficial impact in an organisation (Asante & Adu-Damoah, 2018).

Strategic choices adopted by organisations as well as the target market niches support the decisions made by organisations especially in adopting strategies not adopted by rivals (Sharon & Barney 2007).

1 **2.4 Competitive Advantage in Organisations**

Competitive advantage in organisations is illustrated by an organisation's capability to create a defensible stand over its competitors (Li et al. 2006). This is usually so if an organisation's cost gap is greater than of its competitors. Competitive advantage is usually an outcome of an organisation's critical management decisions.

An organisation adopts certain measures to attract and retain customers, suppliers and other stakeholders, improve their market share and customer base as well as absorb competitive shocks (Porter and Collins 2006).

According to Porter's 1985, an organisation is deemed competitive if it has capacity to retain average performance as compared to rivals. This is usually achieved through providing goods and services at a low cost and allowance to customers to achieve additional value at the said price. This in turn enables organisations to unveil benefits and respond to the client needs and wants.

2.5 Strategy and Competitive Advantage

The search for a firm's ²⁹ competitive advantage starts with the strategic choices it makes in regards to its position in the industry it operates in. It is also important for an organisation to comprehend the interpretation of strategy and convert the strategy adopted in achieving a competitive advantage. According to Porter 1991, organisations define how they implement strategies adopted to gain a competitive advantage. A firm's performance is critical in evaluation of strategies adopted which in turn explains why organisation's vary their behaviour, the strategies chosen and how such are managed (Porter 1991).

⁴ To achieve a sustainable competitive advantage, decisions on the strategy to be implemented are one of the leading issues the management has to deal with at the different levels of management.

2.6 Empirical Studies and Research Gaps

Asante and Adu-Damoah (2018) ³² studied the effect of competitive sustainable advantage on performance of Coca-Cola Company in Ghana. Expo facto ⁷ research design was adopted and primary data collected through use of questionnaires. Sample of 356 was considered amongst Coca-Cola employees. Univariate and bivariate techniques analyzed the data. There was positive causality of competitive sustainable advantage on performance and it was positively moderated by resources and competitive environment. It was concluded that there is need for corporation to adopt measures geared to sustainable provision of resources to enhance performance. These results may not be generalized in Kenyan context owing to differences in economic development and political environment in Kenya and Ghana. Coca-Cola and EABL are faced by different industry specific risk which may impact on choice of strategy.

The effect of ²⁶ Porter's generic strategies on performance of hotels in Kumasi was studied by Karikari (2015). Descriptive research design was applied. Univariate, bivariate and multivariate techniques were adopted for data analysis. Study findings revealed positive and significant effect of ¹ differentiation, focus and cost leadership strategies on performance of hotels in Kumasi. These results may not be applied in EABL since it's involved in provision of services as compared to distribution of goods from EABL.

The effect of strategy on business environment of Ecobank in Ghana was investigated by Saprang and Tandoh (2015). The case study was applied and 320 respondents were drawn through simple random sampling. Univariate, bivariate and multivariate ²¹ techniques were applied for data analysis. Competitive strategies positively impacted banking performance. These findings would not have been generalized in Kenyan perspective since the duo business environment are exposed to different political risks and state of economic development. Further, industry specific risks for EABL differs from banking perspective.

Kowo, Sabitu and Adegbite (2018) ² investigated the effect of competitive strategies on performance of small and medium enterprises in Nigeria. Cross sectional data was gathered through issue of structured questionnaires amongst 125 respondents. Univariate, bivariate and multivariate ²¹ techniques were applied for data analysis. Competitive strategies had positive effect on performance. The study adopted quantitative data only while currently qualitative data will also be considered.

A research was conducted to investigate the ² effect of competitive strategy on performance of Strathmore University, this was by Njoroge (2017). ⁴ Qualitative data collected was thematically analyzed. The study found that Strathmore University had adopted blended differentiation and focused strategies. Skewed adoption of differentiation strategy was notable in the study. Since the approach gave them competitive edge it was recommended that they optimize on it through development of unique and customer focused programs. In-incorporation of cost leadership strategy in their operational framework hindered their capacity to offer quality services which worked against their capacity to obtain market niche.

The effect of competitive strategies on organization performance in the sugar industry was studied by Munyasia (2014). Specifically, the study evaluated the effect of differentiation, cost leadership and focus strategies on organization performance. A sample of 108 respondents was drawn from nine sugar companies in Western Kenya. Inferential and descriptive statistics analyzed data. Study findings revealed that sugar companies achieved competitive advantage through cost leadership by pricing their products lower than their rivals. Differentiation was achieved through branding of their products. To gain fully sugar companies ought to monitor their cost leadership approach to eliminate possibilities of losing market share due to pricing and quality relationship. Also, the study revealed that customer loyalty was dependent on differentiation strategy. Sugar industry in Kenya had adopted focus strategy minimally, thus, it was recommended that measures ought to be devised to incorporate it in their respective strategic plans. These findings may not be generalized in EABL owing to its different distribution channels and capacity to produce different goods as compared to sugar companies which have single products.

Studies have been conducted with regards to the effect of competitive strategies on competitive advantage of audit firms in Nairobi County (Githuku 2016). Specifically, the study examined the effect of service quality, software development, staff skills and leadership strategies on competitive advantage. A sample of 136 respondents was selected and questionnaires issued amongst them. Inferential and descriptive statistics analyzed the data. Competitive advantage of audit companies was positively affected by strategies. These findings may not be replicated in EABL owing to differences in types of businesses. Also, EABL is skewed towards provision of goods as compared to audit companies which provide services which may alter, their type of distribution

channel adopted. This study used quantitative data only as compared to current one which will use quantitative and qualitative data.

Nyaga (2015) studied the effect of competitive strategies on performance of express connections limited. Data gathered through interview schedules was thematically analyzed. Study findings revealed standard pricing, focused strategy and incorporation of horizontal mergers. It was concluded that service quality in a corporation ought to be pursued with the sole purpose of promoting competitive advantage. It was recommended that transport companies ought to invest in service quality strategies aimed at differentiating services which meet respective client needs.

¹⁴ CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

A detailed presentation of research methodology to be adopted in the study will be presented. Methodology in this case ¹² refers to a set of methods and procedures used in carrying out research. This chapter focused on research design, collection of data and ¹⁹ analysis methods used in the study.

3.2 Research Design

Research design is detailed guidelines to be adhered to optimize achievement of study objectives (Saunders, Lewis & Thornhil, 2014). Also, Sekaran and Bougie (2013) argued that through research design, researcher's distraction from achievement of study objectives is minimized.

This study adopted the exploratory research and use the case study design. Sekaran and Bougie (2013) argued that case study design provide insight into specific situation and unearth experiences and interpretation of all parties involved. Saunders et al., (2014) purports that case study can be executed through quantitative or qualitative approaches. Kothari (2011) argued that case study is adopted to evaluate modern phenomena in real life via breaking down item under examination into alternative scope and sources information from various sources.

This design allowed an in depth understanding of strategies put forth by EABL to propel competitive advantage. The strength of this design is its capacity to allow more emphasis on detailed analysis of items under consideration and their interactions. It is dominant in qualitative study. Interviews were conducted on EABL senior

management working in strategic management, research and development, marketing and finance department as they would be most knowledgeable about the studies adopted by the organisation to gain a competitive advantage.

3.3 Data Collection

Recruitment and training of research assistant were executed so as to sensitize them on the general objective of the study. Self-administration and drop and pick method will be adopted in the study to optimize success of interview process. The strength of selecting this group of respondents is pegged on their active involvement in strategic implementation in EABL thus they can easily understand strategies adopted by EABL to gain competitive advantage.

To ease data collection, exercise the respondents were notified through human resources department on the intention of executing the study in their organization. Primary and secondary data was considered in the study. Primary data was gathered through use of in-depth interview guide.

3.4 Data Analysis

Data analysis was carried through content analysis approach. This was guided by arguments that data collected will be not in structural format from which conclusions can be made. This type of approach outlines any type of substance by checking its different perspectives therefore, empowering a more target assessment.

Data was manually collated according to specific themes of the study. Through, this specific theme would be identified from individual responses and consistent responses

will be put together. Interview will be transcribed and then reviewed for completeness.

4.1 Introduction

This chapter presents data that was collected through use of interview guide. The data was aimed at aiding in achievement of the study objective that investigated on strategies adopted to achieve competitive advantage. Qualitative data was collected and thematically analyzed. Study findings are presented in figures and prose forms.

4.2 Background Information

Respondents background information was sought and it included gender, age, education level, working experience and department currently working. Percentages were adopted for data analysis and findings presented in figures.

4.2.1 Gender

Gender of respondents was sought and pictorial presentation in Figure 4.1 revealed that 56% of respondents were males and 44% female. This shows that those serving in EABL were almost equal in gender comparison.

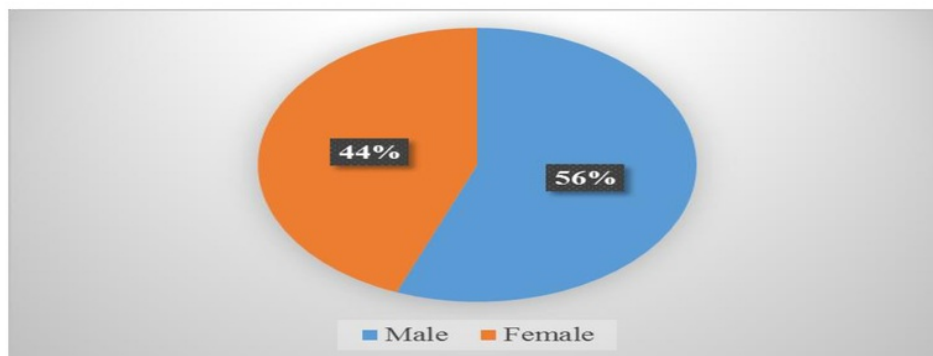


Figure 4.1 Gender

4.2.2 Age in Years

Age in years can be associated with exposure to formal and informal education. This is mainly because institutions continuously develop skills of their employees. As shown in Figure 4.2 most of EABL employees aged between 41 and 50 years, followed by 25% aged 31 to 40 years and 18% aged above 50 years. This implies that most the work force in EABL comprises of several employees who have served for some period hence they can clearly under the need for strategic positioning.

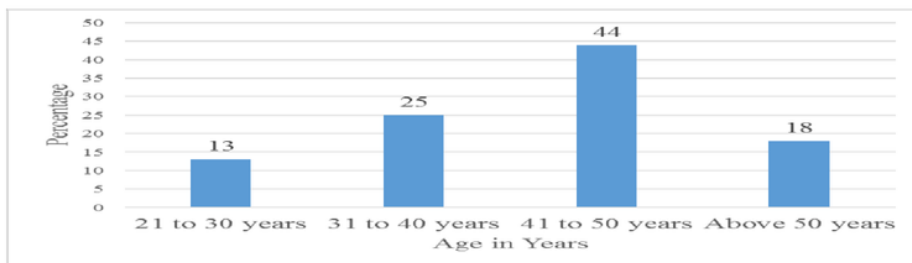
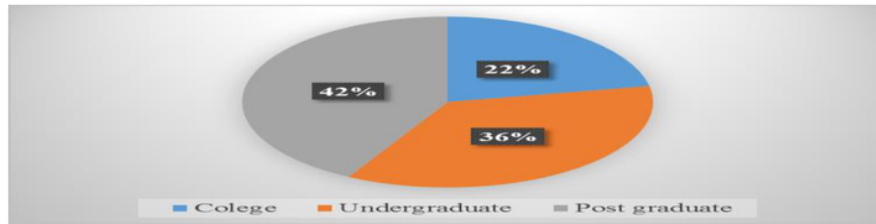


Figure 4.2 Age in Years

4.2.3 Highest Level of Education

Education qualification can be acquired formally or informally. The current study sought information on highest level of formal qualifications achieved by its respondents. As shown in Figure 4.3 42% of respondents were post graduate holders, 36% were masters holders and 22% were graduate holders. This implies that those mandated with strategic implementation had requisite academic qualification hence they could easily understand theoretical underpinnings of strategy and competitive advantage.



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Figure 4.3 Highest Level of Education

4.2.4 Working Experience

Working experience may form strong foundation on the need for strategic change. Hence the study investigated respondents working experience. Findings in Figure 4.4 revealed that majority 42% had industry experience of more than 20 years, followed by 30% who had working for 16 to 20 years. This shown that EABL had very attrition rates and its degree of employee retention was commendable.

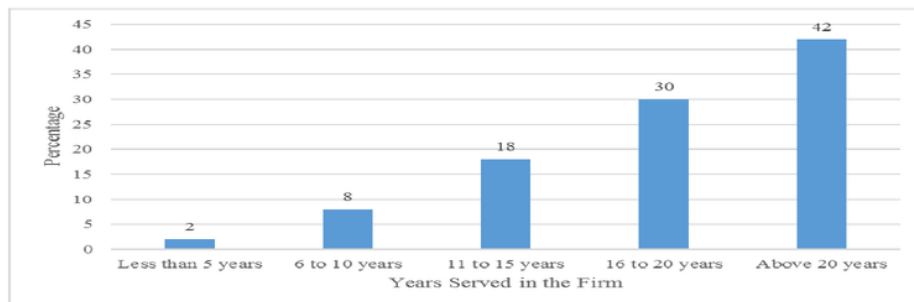


Figure 4.4 Working Experience

4.2.5 Department

Organization structure in EABL have mandated alternative departments on mandate to achieve competitive advantage. Findings in Figure 4.5 revealed that majority 52% were working in strategic management department, followed by 28% in marketing, 12% in research and development and the rest hailed from finance department. This

showed diversity of skills in work force and it was easier to integrate them in pursuance of competitive advantage.

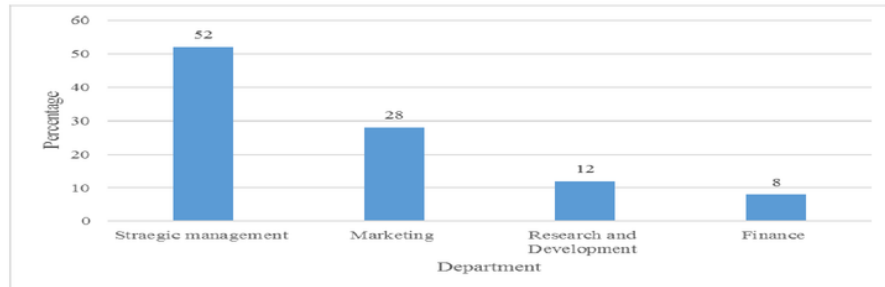


Figure 4.5 Department

4.3 Competitive Advantage

Respondents drawn from EABL reported that their achievement of competitive advantage was dependent on product related advantages, knowledge management advantage, cost optimization advantage, client relationship management advantage and organization structure advantage. EABL have managed to create competitive advantage due to its capacity to create value added products as compared to its rivals. Cost optimization is achieved through incorporation of raw materials sourcing, production process, product distribution, credit management procedure and working capital management practice. All these should be aimed at optimizing cost related to each. This has enabled EABL to offer their products at cheaper prices as compared to their rivals. Moreover, it has necessitated creation of economies of scale in sourcing of inputs and minimized market sensitization costs.

Capacity of EABL to manage its knowledge has eased its market penetration and cannibalization mechanisms. Adaptation of knowledge gathering, conversion and

application have enabled EABL to incorporate data mining and business intelligence in its operational platforms. Consequently, it has minimized adoption of decisions that would not optimize corporation gains. Customer knowledge management has aided EABL to respond to customer queries and needs optimally. Suppliers data mining has necessitated creation of participatory approach among players such as providers of ingredients of raw materials such sorghum, barley and oats.

Client relationship in EABL has been achieved through creation of their database and incorporation of relative database systems that are aimed at consolidating feedback on distribution channels and reduction of lead time. This have allowed EABL to evaluate programmable and nonprogrammable decision making instances. EABL organization is able to benefit from human and organization learning capabilities. This have enabled it to respond to internal and external operating environment. EABL consistently patents its products hence it is not easy for rivals to imitate their products, hence it is easier to create blue ocean market. To remain competitive EABL has incorporated alternative strategies that include differentiation, cost leadership, focus and niche strategies.

4.3.1 Strategies Adopted by EABL to Establish Competitive Advantage

From in-depth interviews it was indicated that EABL have adopted ⁴ differentiation strategy, cost leadership strategy and focus strategy as vital components of their competitive advantage. To respondent's competitive advantage was meant to provide relatively competitive market that is demand driven and have limited competition due to erosion of competitors and cannibalization of their market share. Further the respondents agreed that they have variety of products that would aid in amalgamation of huge market share. Also, incorporation of non-alcoholic beverages in our product

line has enabled our clients to have alternative in relation to our rivals. EABL have differentiated itself from rivals through adoption of innovative approaches on marketing, advertising and sales activities. This has led to attention of our manufacturing features, quality of services principles and product performance monitoring and evaluation. Furthermore, this has role of location product display, cover design and strategic marketing tools adopted.

Focus strategy have enabled EABL to segment its market share through understanding of their respective needs. This have enabled EABL to focus on selected product range service line, geographical location and customer grouping. For example, we have developed products targeting specific gender or in response to gender feedback. Through, focused operational guidelines EABL have grown its market share through distribution of products in regions and market base unattractive to rivals. Furthermore, it has enabled EABL to optimize its benefits through exploration of unique and distinctive capabilities. There is need to exercise care while adopting this strategy since market segmentation may impact firm performance inversely in situations which are unfavorable.

Cost leadership strategy have enabled EABL to cut its cost through value chain. This has enabled EABL to operate at minimal costs and achieve superior benefits. This has achieved our market share and created value addition through introduction of business networking forums and identification of cheaper sources of goods and services that aid in production process.

4.3.2 Key Features of Differentiation Strategy

During the interview on differentiation strategy adoption by EABL as source of competitive advantage. Notable features were on value based service provision, EABL core competencies, product features such as heterogeneity, pricing and organization culture on supporting products features. Respondents argued that EABL had broad ranges of products which had alcoholics, wines, spirits and non-alcoholic beverages. This enabled them to offer customer variety of choices to choose from. They reported that EABL product desires enabled them to economic on scale of production.

Also, they that EABL is conscience on development capacity of products that can be easily differentiated from rivals for example Alvaro and Novida. Though, they called on the need to offer heterogeneity of products to choose from among their non-alcoholic beverages. EABL have research and development section aimed at continuous development of products that would unique market niche for example introduction of tusker brands. Due to participatory approach with suppliers of raw materials it was reported that many had not mechanized their operations. This may effect on production cost and can be mitigated through mechanization of raw materials.

Respondents reported that EABL brands had strong brand identification. This was cemented by arguments in favor of EABL measures of its products and services. It was would cannibalize its market share. Though in most situations they introduced new products prior to their rivals.

4.3.3 Key Features of Focus Strategy by EABL

Focus strategy adoption by EABL was aimed at understanding how unique attributes can be adopted to spearhead competitive advantage. Respondents reported that EABL has adopted geographical distribution within a given region. This has reduced lead time and have enabled analysis of customer behavior. Also, EABL has created marketing specialty of their products. This has enabled development of marketing mix and plans that are unique to specific market niche. Owing to heterogeneity of market share, EABL have developed approaches for specific market groups.

Also, distribution of products differs according to geographical locations. This is guided by clients' characteristics and demand for specific products. Price discrimination have been adopted in distribution of EABL products. Product distribution are tailored to address specific of market segments demand. Respondents reported that EABL have developed mechanisms aimed at dynamic response to client demand. Through, focus strategy EABL have managed to keep their competitors at bay. This have been achieved through increased customer attention.

4.3.4 Key Features of Cost Leadership Strategy by EABL

Respondents reported that cost leadership strategy was adopted to manage change, optimize scale of operations and lower production cost. The trio were achieved through charging the lowest possible prices in comparison to rivals. To penetrate and maintain market share EABL has invested in sales promotion strategies in print and electronic media. Labour production cost have been managed through automation of production process and adoption of batch production mechanisms. To optimize on

raw materials cost, supplier pre-qualification is carried out and aids in evaluation of alternative discounts.

EABL was reported to have developed cost management programs and members' sensitization workshops have been developed. Also, product pricing is geared towards making products affordable as compared to rivals. For example, product diversification to senator keg to manage cannibalization of market share among low income earners. Value chain design have been adopted to enable sourcing of raw materials amongst the lowest cost service provider. Human resources, distribution channels and other services have been outsourced by EABL to enable it to concentrate on its core business. Also, data analysis has been incorporated to identify cost variations and labelling of outliers in production process. This have enabled adoption of tight cost control measures. Through costs monitoring and evaluation, EABL have been able to develop cost optimization technique.

4.4 Discussion of Findings

In the past studies there has been a positive direction whenever different competitive strategy are impact on the firm performance. This study, majorly being qualitative, support these strategies identified in the case of EABL. Combine with firm competency level, strategies are seen to throw EABL to mile ahead of their competitors. Sustaining the competitive advantage on firm performance calls for extra mild discipline of the company aimed at retained their key features in the products, employees and overall management. The primary objective in this study was to evaluate the strategies adopted by EABL to gain a competitive advantage.

The value of this study lies to other firms in East African countries because EABL being the largest and leader in production of alcoholic beverages in have claimed in the recent past their interests does not only lies on taking the benefits that comes with growing opportunities in emerging markets to continue their investment, but also sustaining the current market with the utility they get from their many products. In so doing, it will continue to help them use the resources and competitive environment to sustain their competitive advantage over other beverage firms. A deduction from the study here shows that EABL is fond of using differentiation, cost leadership and focus strategy as vital components of their competitive advantage. Together with this it can be inferred that EABL could have built a constant high performance as results of having higher assets and competitive environments to operate.

Differentiation as strategy has made big win for many companies that have employed it. Supporting this, Organ (2014) proved that product/services that are differentiated by the use of technology and innovation, attract more clients which in turns improve insurance company's sales growth and increase in profit as measures of firm performance. There is overwhelming agreement by participants that brand image, a range of products, technology, networks and customer-oriented services help improve the performance of the insurance companies in Kenya. Similarly, Arasa and Gathinji (2014) study of telecommunication companies in Kenya also revealed that adoption of numerous differentiation strategies does not only make a firm stand out uniquely but also affects the profitability of the firms.

Use of cost leadership strategy has always worked for most blue-chip companies that remained in the market for long. In particular Porter's findings of 1985 demonstrated that the main way to achieve sustainable competitive advantage is through controlling

production costs as well as non-production costs. Findings from the participants have demonstrated that in deed focusing on low cost would help achieve economies of scale. In 2015, Hansen et al., purported the only way to beat the market was to employ technology and experienced. As alluded by Li and Li (2008) that cost leadership aims at achieving the most competitive price for its clients, this study contradicts this construct when it was observed that company should not only lead in reducing cost but should incorporate other factors in making that decision.

Focus strategies is in evitable for company looking forward to great performance in the long run. ² Focus strategies as assessed by the specialty of products and/or service and low cost focus has been found to improve the performance of the Kenyan insurance companies. Most of the respondents in this study, agreed that focus on specific geographical market, specialty in product and broad product serving improved firm performance. This agrees with Atikiya (2015) findings that focusing on a market segment with growth potential guarantees an increase in sales as compared to a saturated market. As Saif (2015) alters, differentiation and cost leadership strategies focus on holistic approaches, focus strategy is unique in that it appeals to those small segments targeting a specific group of customers. From the findings of Saif's (2015) and this study, it can be explained that the reason why the ⁴ focus strategy is needed by the other two strategies is because it stems them to achieve what they are targeted or in other words, provides market for this strategy. In his summation, Yasar (2010) noted that in many company's departments such as marketing, procurement and R&D, focus strategy is instrumental as it indicates where more concentration of resources should be given. This study too confirms the importance of this strategy, especially for the ⁹ insurance companies. However, the main weakness of focus

strategy is witnessed when focused ² segment is too confined to be economical or when the segment declines with time (Atikiya, 2015).

Further, EABL can be said to rely on the resources on worthy and erratic strategies that give them a sustainable competitive advantage for high performance for ¹¹ a long period of time. Barney (1991) justified this with theory of Resource-Based View which proposes that firms have resources which enables them achieve competitive advantage and an advanced performance. It further supported these literatures by (Miller & Ross, (2003) which states that ⁸ the resource-based view (RBV) of the firm predicts that specific resources types that the firm possessed and had power over, have the potency and prospect to produce competitive advantage, which in the long run leads to higher firm's performance.

Human resource strategies have also been proven to have assisted EABL thrust forward ⁸ in organizational competitive advantage and performance as reported by many departments that always underlined the power of their workforce. Capability of ⁸ top and middle management, and administrative and production employees come in handy to explain reason why EABL over time has gained competitive advantage and the outcome of the firm's performance (Morgan et al., 2004).

EABL can focus more on the resources in its competitive environment since the outcome of the study demonstrated and supported the assentation of ¹³ the resource-based view, which discusses that to develop a competitive advantage, the firm must have resources and capabilities that are superior to those of its competitors. This will help EABL to maintain its superiority ³ because without it the competitors could replicate what company was doing and their advantage would quickly disappear.

³ CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of study findings, interpretations and discussions as presented in chapter four.

³ 5.2 Summary of Findings

The study targeted examination of ³ strategies adopted by EABL to gain competitive advantage. Strategies were perceived to be pivotal on achievement of competitive advantage. EABL was perceived to have achieved competitive advantage if it had product related advantages, knowledge management advantage, cost optimization advantage, client relationship management advantage and organization structure advantages that would allow it to derive more value as compared to its rivals. The study documented alternative options pursued by EABL to gain product advantages, use of data mining and business intelligence to gain value from existing information. Also, measures had been developed to allow EABL to manage its supplier information and consequently incorporated value chain design approach in its operations. Though, there are alternative ¹ strategies that may be adopted by corporation to achieve competitive advantage they include differentiation, focus, cost leadership and niche marketing strategies. Through differentiation strategy EABL is better in development of products which in line with its market segmentation and addressing its clientele needs. Cost leadership strategy have enabled EABL to operate at optimal costs and minimized spillage of resources. Focus strategy has enabled EABL to develop measures aimed at optimizing distribution of its products. It is not for corporation to continuously enjoy competitive advantage associated with

strategies thus there is need to patent so as to protect intellectual property rights associated with some products.

1 5.3 Conclusion

From the study findings it can be concluded that manufacturing companies should develop measures aimed at achieving competitive advantage. There is need for EABL to develop measures which are geared towards enhancement of competitive advantages that they may desire to achieve. Through achievement of competitive advantage EABL would create blue ocean market which will attract minimal competition due to uniqueness of its products and services. Application of differentiation strategy would enable EABL to amalgamate heterogeneous market share which will comprise of different clients' characteristics. Also, capacity of EABL to manage relationship between clients and suppliers would enhance its bargaining power and hinder interference from new markets entrants as they cannibalize existing competitor market share. Pursuance of cost leadership strategy would minimize input costs and optimize value of company products. Focused strategy would aid EABL in addressing unique needs of their clients.

1 5.4 Recommendations for Policy and Practice

Based on study findings there is need for policy makers to develop measures aimed at controlling dominance of market share or likelihood of creating monopolies since their emergence may lead to client's exploitations. From study findings **2** there is need for continued monitoring and evaluation of strategies adopted by EABL since they have contribution on competitive advantage achievement. EABL should customize its

information gathering mechanisms so as to gain from business intelligence and data mining in pursuance of their competitive advantage. Since, supplier management may threaten survival of EABL there is need for it to pursue client's relationship management that would benefit. There is need for clients management mechanism be customized to unique client so as to optimize benefits accrued from competitive advantage.

4

5.5 Suggestions for Further Study

This study was limited to qualitative analysis on the influence of strategies adopted and competitive advantage by EABL there is need for similar study to be carried out and follow quantitative techniques so as to evaluate contributory power of strategies on competitive advantage. The study was limited to EABL there is need for similar study for other companies which are providing alcoholic beverages. Further, there is need for an exploration of general and hybrid strategies adopted by EABL and which one have the highest contribution on competitive advantage.

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5.6 Limitations of the Study

The study was skewed on use of qualitative data collection, this posed challenge during data collection which was interrupted on several occasions. To alleviate and minimize likelihood of disrupting information gathering all interviews were tapped using more than one device. Also, qualitative data collection is time consuming and demanding as compared to closed ended questionnaires which can be emailed. This was solved through prior booking and execution of interview in phases which were contingent to respondent's availability.

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APPENDICES

² Appendix I Letter of Introduction

Kathuri Pauline Wanja

P.O. Box

Nairobi.

Date

Name of Respondent-----

Company Name and address-----

Dear Sir/ Madam,

RE: ASSISTANCE FOR DATA COLLECTION

I am postgraduate student in ³ University of Nairobi, pursuing masters in business administration. I humbly request for data collection assistance on my topic titled, “**Competitive strategies and competitive advantage in EABL**”. Your assistance ² will be highly appreciated.

Yours faithfully,

Pauline Wanja Kathuri

Appendix II Interview Guide

I humbly request for your participation in study titled, “Strategies adopted by EABL to gain a competitive advantage”. Your confidentiality is guaranteed, hence there is no need to disclose your name in any section of the questionnaire.

SECTION 1: Demographic Characteristics

¹⁵
(Instruction-tick where appropriate)

1. Gender

Male Female

2. Age in years

21-30 31-40 41-50 51-60

3. Highest education level attained

College Undergraduate ⁷ Post graduate

4. Working experience in years

Less than five 6-10 11-15 16-20 21 and above

5. Department you are currently serving

Department	
Strategic management	
Marketing	
Research and development	
Finance	

SECTION 2: Strategies

2.1. ¹ What are the dominant strategies adopted by EABL to gain competitive advantage? Probe for information on ²² strategies such as (differentiation strategy, Cost leadership strategy and Focus strategy).

2.2. What are key features of differentiation strategy that are notable in EABL? Probe for information on (product heterogeneity, pricing, organization culture and structure in place to support product differentiation).

2.3. What are key features of cost leadership strategy that are notable in EABL? Probe for information on (low cost, product leadership, cost management guidelines in place).

2.4 What are key features of focus leadership that are notable in EABL? Probe for information on (competitor protection measures, loyalty management, substitution barriers in place).

SECTION 3: Competitive Advantage

3.1. In comparison with your competitors how competitive are your products and services?

3.2 How is your market penetration for new products measured?

3.3 Given the increased competition in the market how is your market retention?

3.4 How has the adoption of the strategies created economic value?

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