COMPETITIVE STRATEGIES USED BY AGRICULTURAL CHEMICAL SUPPLIERS IN KENYA

BY:

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DECLARATION

STUDENT'S DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university.

Sign: .... Date: 12/11/09

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SUPERVISOR'S DECLARATION

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

Sign: .... Date: 12/11/2009

Mr. Jeremiah Kagwe

DEDICATION

This study is dedicated to my late wife, Jennifer Wahito and my daughters namely Linette, Priscilla, Rosalyn, and all those who supported and encouraged me during the entire period from when I started the project to completion.

ACKNOWLEDGEMENT

Now that this research project has been completed, I realize that it has been a real struggle. For that reason, I would like to extend my appreciation to all those without whose support it would not have been a success.

First and foremost, I would like to thank my supervisor, Dr. Jeremiah Kagwe, for his input, support and guidance.

I would also like to thank my entire family and friends for their encouragement and support during the entire period.

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ABSTRACT

In order to survive in the competitive environment, it becomes necessary for the threatened companies to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held. The stiff competition among the agricultural chemical suppliers and the entry of other players into the industry necessitate the design of motivation to guarantee their performance and survival. Successful strategies lead to superior performance and sustainable competitive motivation. Therefore, the objectives of this study were to determine the competitive strategies used by agricultural chemical suppliers in Kenya, to determine the factors that influence the choice of such strategies and to determine challenges faced by Agricultural Chemical Suppliers in applying competitive strategies and strategies formulated.

This study used descriptive survey design. The study targeted all the agricultural chemical suppliers operating in Kenya. Purposive sampling was used to select the sample size of 50 agricultural chemical suppliers based in Kenya. Primary data was collected by use of questionnaires, which were completed by chief executive officers and senior managers currently working in agricultural chemical firms. Data collected was analyzed using quantitative analysis and SPSS Package was used to aid in data analysis. Data was interpreted using mean scores, frequencies and percentages and presented using frequency tables, pie charts and bar charts.

From the findings, the study found that in order to remain competitive in the market, the agricultural chemical suppliers companies used competitive strategies such as engaging highly skilled staff, use of publicity, offering a wide range of products and advertisements, outsourcing non core activities, packaging of products into new and trendy packs, and education and training of staff. These strategies were found to be effective in these agricultural chemical companies. The study therefore recommends that in order to succeed in the implementation of competitive strategies, these companies should ensure that they engage highly skilled staff, they should regularly train their staff so that they are capable of implementing the strategies and these companies should

aggressively market themselves through advertisements and publicity so that they are known by the public and users of the products.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) outlined the three approaches to competitive strategy as being: Striving to be the overall low cost producer, i.e. low cost leadership strategy, seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy and Focus on a narrow and specialized portion of the market, i.e. focus or niche strategy.

Frank (1970) argued that competitive strategy enables a firm to define its business today and tomorrow, and determine the industries or markets to compete. Grant, (2000) suggested that the intensity of competition in an industry determines its profit potential and competitive attractiveness. Competitive strategy will assist a firm in responding to the competitive forces in these industries or markets i.e from suppliers, rivals, new entrants, substitute products, customers. Competitive strategies are vital to a firm while developing its fundamental approach to attaining competitive advantage i.e low price, differentiation, niche, the size or market position it plans to achieve, and its focus and method for growth i.e sales or profit margins, internally or by acquisition.

Superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy.

1.1.1 Strategy

A strategy is a plan of action designed to achieve a particular goal. According to Johnson and Scholes: "Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations".

The competitive strategy of the firm attracted a remarkable intellectual attention and has still remained an important area of research. Competitive strategies of an economy depend on the competitiveness of the firms within its boundaries (Ireland et al., 2001). However, a national economy's competitive strategy is something more than a simple expression of the collective or "average" competitiveness of its firms. Firms do not operate in a vacuum. A firm that is competing on low cost is distinguishable from a firm that competes through differentiation in terms of market positioning, resources and capabilities, and organizational characteristics.

While successful management practices obviously contribute to firms' competitive strategies, the characteristics of the external environment in which the firms operate are no less important. Some economists have adopted the notion of "structural competitiveness" to express this fact. Competitive strategy is relative. It determines the ability of a firm or a company to, proportionally; generate more wealth than its competitors in world markets generate by creating an environment that favors sustained value added creation.

1.1.2 Agricultural Chemical Suppliers Industry in Kenya

Agricultural chemical suppliers are a group of companies that supply various agricultural related chemicals in Kenya. There are two hundreds and twenty nine Agricultural chemical suppliers companies in Kenya. These are mainly involved in the distribution of various types of agricultural chemicals to the consumers or middle level businesspersons.

Agriculture is the major economic sector in Kenya, employing over 70% of the population and contributing 24.6% to GDP. Therefore, economic development hinges on an improvement in agricultural productivity, which, in turn, hinges on the use of productivity-enhancing inputs such as hybrid seeds, fertilizers, agricultural chemicals and good agricultural practices (Economic survey, 2008)

As was the case in many countries, in the late 80's the Government of Kenya embarked upon a process to reform its agricultural sector, including the agricultural chemical supplies sub sector. Agricultural chemical supplier's market reform in Kenya has entailed not just the legalization of private trade, but also the virtual exit of government from continued involvement in distributing chemicals.

Before liberalization in the 1980's, the government was directly involved in distributing agricultural chemicals through Kenya Farmers Association which later changed name to Kenya Green Growers Cooperative Union. The Government through the ministry of agriculture provided extension service to farmers especially small-scale farmers who did not have much knowledge on use of agricultural chemicals and safety precautions. The government at the time controlled importation of agricultural chemicals through foreign exchange allocations to the few agricultural chemical importers. This lead to inefficiencies in the supply chain sometimes resulting to major loses of crop to pests and diseases due to unavailability of agricultural chemicals in times of need. It is estimated that farmers could lose up to 30% of the crop to pests and diseases if agricultural chemicals are not used.

After liberalization in the 1980's, local private distributors and multinationals got involved in national distribution of agricultural chemicals.
Some multinationals set up local branches in the country where they distributed their own products through a network of local regional distributors and large scale public and private farms like Agricultural Development Corporation, Kenya Seed Company, Kenya Breweries etc.

Other multinationals appointed locally owed agricultural chemicals distributors like Farmchem, Murphy Chemicals to distribute products on their behalf and some even distributed products from more than one multinationals. This resulted to agricultural products being widely and competitively availed to the market.

In early 1990's ,agricultural chemicals importers started to experience challenges of foreign exchange allocations and payments especially from public institutions, cooperatives societies especially in coffee sector due to weak management systems and political interferences. This was compounded by global mergers and acquisitions, which resulted to some multinationals closing local branches, and appointing locally owned private companies to distribute on their behalf.

Currently, there are more than 40 agricultural chemical suppliers locally owned that have come up, supplying agricultural chemicals imported from far east mainly India and China. A few of the multinationals that had left in early 1990's have come back through joint ventures with locally incorporated companies supplying products from the west i.e Europe and north America mainly.

Due to this trend, competition has been very stiff between agricultural chemicals from the west and substitutes from Far East. This requires competitive strategies that can give each of the agricultural chemical supplier competitive advantages and sustainability over the other.

1.2 Statement of the problem

The objective of this study was to discuss the competitive strategies used by agricultural chemical suppliers. Much of our understanding of competitive strategy can be traced to Porter's (1985) seminal low-cost-differentiation-focus framework. His work has received considerable, although not universal, support in the literature and marked a key transition in the field by beginning to integrate organization-specific factors into a model of firm performance dominated by the industrial organization perspective.

In order to survive in the competitive environment, it becomes necessary for the threatened companies to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held. The stiff competition among the agricultural chemical suppliers and the entry of other players into the industry necessitate the design of motivation to guarantee their performance and survival. Successful strategies lead to superior performance and sustainable competitive motivation.

Much of the prominent work in the competitive strategy literature has shifted from a typology orientation to a heightened role of organization-specific factors as characterized by the resource-based perspective (Foss and Knudsen, 2003; Ray *et al.*, 2004). This focus on firm resources has further defined the nature and complexities associated with variations across organizations (Barney, 2001). The pace and intensity of change in the competitive business environment have become much more pronounced. As a result, speed response time to competitors and customers has become more valuable as a motivation weapon.

This study revealed that agricultural chemical supply firms in different industries adopt different motivation strategies, which are unique in each context. There was a need therefore to formulate a study, specifically to understand the nature of competition amongst the agricultural chemical suppliers in Kenya, what competitive strategies they employed, and what factors influenced choice of such strategies.

1.3 Objectives of the study

The objective of this study was as follows:

(i) To determine the competitive strategies used by agricultural chemical suppliers in Kenya.

(ii) To determine the factors that influences the choice of such strategies.

(iii) To determine challenges faced by Agricultural Chemical Suppliers in applying competitive strategies and strategies formulated.

1.4 Importance of the study

The study is invaluable to the following:

1.4.1 Agricultural chemical suppliers

The management of these companies in Kenya will find the results of this study important as a source of information on what competitive strategies to apply in the market and what they need to do in order to be competitive in the market.

1.4.2 Policy makers

The policy makers will obtain knowledge of the agricultural chemical industry dynamics and the responses that are appropriate and specific for the firms; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector.

1.4.3 Scholars

The study will provide information to potential and current scholars on strategic management in such firms in Kenya. This will expand their knowledge on competitive strategies in the agricultural chemical sector and identify areas of further study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Competition

One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry by reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. Firms therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core competences, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage. According to Johnson and Scholes (1997), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics first it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly it is hard for competitors to imitate. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will and perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more.

2.2 Strategy

Strategy is the direction and scope of an organization over a long term. Strategies are systematic choices about how to deploy resources to achieve goals (Thompson et al, 2007). A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al. 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed. Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and compound it. Strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process.

A key concern of business strategy research is the link between the competitive strategy adopted by an organization and its performance. Within traditional industrial organization economics, industry-level factors have the greatest influence on this relationship. Because individual firms tend to have little or no influence over industry structure, its logic suggests that firms should adapt to the industry structure in order to maximize prospects for success. This view is built on Bain (1956) and Mason's (1939) framework of industry behavior and served as a foundation for many of the early contributions to the field. Porter's (1980) "five forces" model for analyzing industry structures is built on its logic, with an eye on how an understanding of structure can enable an organization to position itself within an industry more effectively and thereby improve performance.

2.3 Competitive Strategies

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 1993). It concerns what a firm is doing in order to gain a sustainable competitive advantage. They are of the opinion that a company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces.

Porter's (1985) states that a business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Further, a business attempting to combine emphases on low costs and differentiation invariably will end up "stuck in the middle" (Porter, 1980), a notion that received considerable early support (Hawes and Crittendon, 1984) but was later challenged by a number of studies (Buzzell and Gale, 1987; Hall, 1983, Hill, 1988; Murray, 1988).

Whereas Porter contends that the assumptions associated with low costs and differentiation are incompatible, those in the "combination strategy" argued that businesses successfully combining low costs and differentiation strategies might create synergies that overcome any tradeoffs that may be associated with the combination. Proponents of the combination strategy approach based their arguments not only on broad economic relationships but also on anecdotal evidence demonstrating how individual firms have identified such relationships unique to one or a small group of firms in an industry.

Following this logic, Bowman and Faulkner (1997); noted the importance of value activity competitive strategies. Because buyers see price and not cost, they argued that sustainable competitive advantage is achieved by offering products or services that are perceived by customers to be: better than those of the competition regardless of price; equal to the competition but at a lower price; or better and cheaper. Hence, they introduced the notion that prospective buyers examine both price and perceived quality in making purchasing decisions and that many will be a function of both.

2.4 Types of Competitive Strategies

Competitive strategy concerns what a firm is doing in order to gain a sustainable competitive advantage (Thompson & Strickland, 1993). Various types of competitive strategies have been discussed including low cost leadership strategy, differentiation strategy, focus strategy and niche strategies (Bowman and Faulkner, 1997).

2.4.1 Low cost leadership strategy

Low cost leadership is based on lower overall costs than competitors. Firms that achieve low cost leadership generally make low cost relative to competitors, the theme of their business strategy. The firm opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either under pricing the competitors and gaining a larger market share at their expense or earning a higher profit margin by selling at the going price (Bowman and Faulkner, 1997).

2.4.2 Differentiation strategy

Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals' products. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium than the differentiating features command, or by offsetting the lower profit margins through more sales volumes (Bowman and Faulkner, 1997).

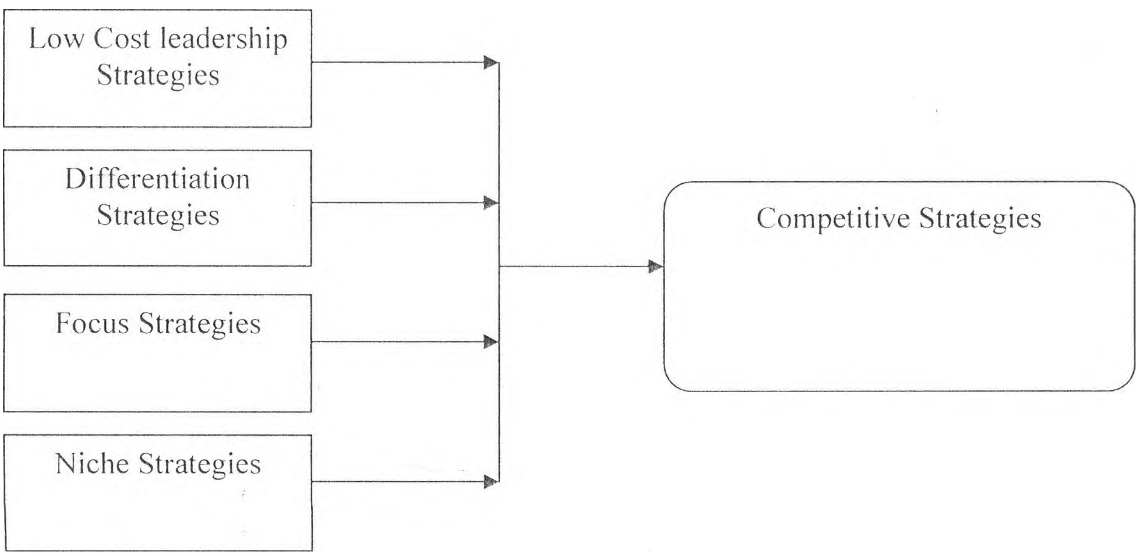
2.4.3 Focus strategy

The focus basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members. A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes (Bowman and Faulkner, 1997).

2.4.4 Niche strategies

Here the organization focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that particular segment. With both of these strategies, the organization can also focus by offering particular segments a differentiated product/service or a low cost product/service. The key is that the product or service is focused on a particular segment (Bowman and Faulkner, 1997).

Porter's Generic Competitive Strategies



Independent Variables **Dependent Variable**

(Porter, Michael, 1985)

2.5 A Competitive Strategy framework.

The ability to combine cost-efficiency with continuous productivity improvements is essential for competitive strategy. This ability stems from the dynamic interplay between capabilities and product markets. The capabilities define the best that can be achieved (or supply potential), while the product markets operate within an institutional framework, institutions act to alter capabilities, and product markets modify behavior by changing attitudes and expectations and determine the rules of the game. In other words, the institutional framework provides the necessary climate for competitiveness (Hans and Will, 1993).

Capabilities include assets such as workers, technology, physical infrastructure and financial capital, as well as the processes that enable the transformation of assets into products and services. Quality processes enable the achievement of excellent standards, while innovation enables breaking of frontiers and means quantum leaps rather than incremental gains. With shorter product life cycles, speed has become another critical component of the transformation process. Competitive strategies and processes have to be complemented by an efficient allocation of scarce resources, which is determined by the economic structure (Bowman and Faulkner, 1997).

2.5.1 Product

From the business point of view, effective production processes, including quality, speed, customization of products and service is of vital importance to competitiveness (Raghunathan et al. 1997). The concept of business reengineering, is based on the idea of radically redesigning or transforming processes to achieve dramatic improvement in performance. Essentially, this means achieving high productivity from a company's business processes. In short, from the viewpoint of both assets and processes, high productivity is vital for competitiveness (Hans and Will, 1993).

2.5.2 Quality

By adopting a generic competitive strategy, quality is a strategic performance and a reflection of a competitive strategy of the firms. Over the past decades, quality has been heralded as the source of competitive advantage (Forker et al., 1996; Hans and Will, 1993; Raghunathan et al. 1997). Quality has gone through an evolution process, from an operational level to a strategic level, and some scholars have given strong support for the view that quality must be adopted as a strategic goal in organizations (Adam, 1992; Garvin, 1988).

Despite the arguments concerning the importance of quality and its role in determining firms' competitive position, only few papers have provided conceptual understanding and empirical evidence of a link between quality and competitive strategy (Chang et al., 2003; Morgan and Piercy, 1996).

2.5.3 Resource-based View of the Firm

One key requirement for corporate success in this competitive environment is recognizing how to sustain competitive advantage. To develop and exploit a competitive advantage, firms must possess capabilities that can be used to create valuable, rare and imperfect imitable resources (Barney, 1991).

The resource-based theory of the firm roots in the work of Penrose (1959), among others, and has been developed in work by Wernerfelt (1984). Resource-based theory of the firm suggests that firm resources and capabilities influence the growth and performance of the firm (Mahoney and Pandian, 1992). The resource-based theory focuses on costly to copy firm resources that could be a source of sustainable competitive advantage. Researchers and practitioners of this idea attribute sustainable competitive advantage to the possession of valuable, non-substitutable and inimitable resources.

2.5.4 Entrepreneurship

A firm's entrepreneurial orientation dictates its competitive orientation (Merz and Sauber, 1995). "Entrepreneurship is the key element for gaining competitive advantage and consequently greater financial rewards". The entrepreneurial firm is generally distinguished in its ability to innovate, initiate change, and rapidly react to change flexibly and. It is conceptualized as a firm behavior in which the firm displays innovativeness, creativeness and risk-taking propensity in their strategic decision making. A firm pursuing an innovation-based strategy accumulates specific capabilities, which distinguish the firm from its competitors and enable it to face the variability of the environment (Merz and Sauber, 1995).

2.5.5 Market-focused learning capability

Learning from market changes has emerged as a key source of innovation and firm performance particularly in the literature on the market driven firm paradigm (Kohli and Jaworski, 1990). This approach, which has its roots in the "market-pull" or "need-pull" approach to innovation, which emerged, argues that, to be effective innovators, organizations should constantly scan the horizons for new opportunities to satisfy their customers. It has been argued that generating innovative ideas through the collection and dissemination of marketplace information is a starting point for innovation. Because knowledge of market preferences reduces the degree of incompatibility of new products with customer needs, it is likely to enhance the adoption and success of innovations. In general, the emphasis of the market-focused learning approaches to innovation has been on customers' latent needs (Prahalad and Hamel, 1990).

2.5.6 Benchmarking

Benchmarking goes beyond competitive analysis by providing an understanding of the processes that create superior performance. In the past, benchmarking was adopted only among organizations. Today, whole industries and even nations have embraced benchmarking as a tool for self-improvement and sustained competitiveness (Adam, 1992).

2.6 The link between Quality and Competitive Strategy

Quality creates a differentiation point, which separates, even insulates, a firm from competitive rivalry by creating customer loyalty as well as lowering price sensitivity. In this way, the firm will be protected from competitive forces that reduce profitability (Prahalad and Hamel, 1990). Similarly, Philips et al. (1983) noted that among the many sources of differentiation, quality was the approach that most often characterizes a differentiation strategy. They also noted the conventional wisdom, which suggests an incompatibility between high quality products, and low cost for the reason that quality usually requires more expensive materials and processes, which is not supported under a cost leadership regime. This school of thought, however, does not totally negate the link between high quality and low cost. Rather, it suggests that high quality products will eventually result in lower costs after the firm attaining benefits on economies of scale via higher market share.

A second line of argument supports the link between quality and low cost. The strongest support for this notion comes from total quality management (TQM) proponents. Deming

(1982), with his "quality improvement chain" concept, argued that organizations could enhance their competitiveness by improving quality. This will result in cost reduction through eliminating scrap and rework. The concept of quality and costs was developed by providing explanations on the link between quality performance and cost reduction (Millar, 1999). The idea of quality cost suggests that any defective products (i.e. poor quality) will incur costs, commonly labeled as failure costs, which include the costs of rework and scrap. In the light of the link between quality performance and quality costs, firms need to devote their efforts on controlling processes to minimize defects in their outputs, which will also reduce the failure costs. In turn, this reduction will result in lower production costs and overall operation costs (Ardalan et al., 1992; Millar, 1999). This is because the improvement of quality performance will not only influence one particular functional area (i.e. production) but also inter-functional areas within organizations (Mandal, 2000).

This causal link between quality and cost, therefore, is different from that held in a classical economics theory, as was noted earlier. Here, quality is considered as directly inverse to cost. This seems to be compatible with a cost leadership strategy that seeks the lowest possible unit cost in production (Luchs, 1986). The chain of reactions starts with quality improvement, which results in cost reduction, which results in firms having the opportunity to offer high quality with low prices. In this way, firms will be rewarded with higher market share and a better competitive position in the market (Deming, 1982). In essence, this school of thought holds that there is no conflict between quality and cost as opposed the traditional view which suggests that higher quality means higher costs (Fawcett et al., 2000; Luchs, 1986).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study was a descriptive survey. According to Coopers and Shindler (2004) descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. It serves a variety of research objectives such as descriptions of phenomenon or characteristics associated with a subject population, estimates of proportions of a population that have these characteristics and discovery of associations among different variables.

3.2 Population

The population targeted comprised of agricultural chemical suppliers operating in Kenya. Mugenda and Mugenda, (2003), explain that the target population should have some observable characteristics, to which the researcher intends to use to generalize the results of the study.

3.3 Sample design

Purposive sampling was used to select the sample size from agricultural chemical suppliers in Kenya. The sample size was 50 agricultural chemical suppliers based in Kenya. The questionnaires were completed by chief executive officers and senior managers currently working in agricultural chemical firms. The senior managers were heads of agricultural chemical departments and divisions in their organizations.

A purposive sample had specific criteria of getting agricultural chemical suppliers that had been in operation for more than 2 year and agricultural chemical suppliers that import agricultural chemicals from one or several multinationals and have national and regional distribution networks.

According to Mugenda and Mugenda, (2003), an adequate sample should be at least 10% of the population.

3.4 Data collection

The main instrument in Data collection was a semi-structured questionnaire targeting senior managers in agricultural chemical supplying companies.

Questionnaires were designed to identify the competitive strategies used by agricultural chemical suppliers in Kenya. The questionnaires had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The open-ended questions provided additional information that may not have been captured in the close-ended questions.

3.5 Data Analysis

Data collected was analysed using quantitative analysis and SPSS Package was used. This package enabled the generation of frequencies and percentages from the responses given. Data was then presented in tables and graphs. Pie charts and bar graphs were also used to indicate the pictorial impression of the results. The Likert scale was used to analyse the mean score, standard deviation and percentages which was computed to determine the extent to which agricultural chemical suppliers employ competitive strategies.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field. From a study population sample of 50 respondents, 40 respondents responded and returned the questionnaires comprising of 80% response rate.

4.2 General Information

Respondents Designation

The study found that the respondents were in designations such as sales and marketing managers, directors, customer service managers and general managers.

The study also sought to investigate the number of years that the agricultural chemical suppliers companies had operated in Kenya. According to the study, most of these companies had operated in Kenya for a period of 11-15 years as shown by 45% of the respondents, 25% of the companies had operated in Kenya for a period of 16-20 years, 17.5% had operated in Kenya for 6-10 years, 7.5% had operated for 21 years and above, while a small proportion of the companies as shown by 5% had operated in Kenya for 1-5 years. This information shows that most of these companies (95%) had operated in Kenya for over 6 years and therefore this shows that they were well versed with the competition in the industry and the competitive strategies employed by these companies. This information was shown by the figure below.

Figure 1: Number of Years the Company Has Operated In Kenya

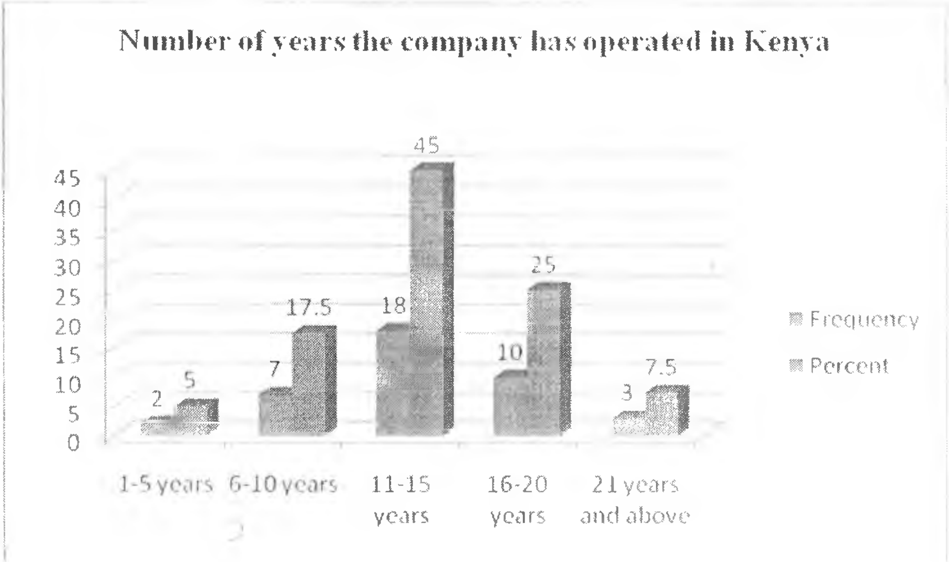


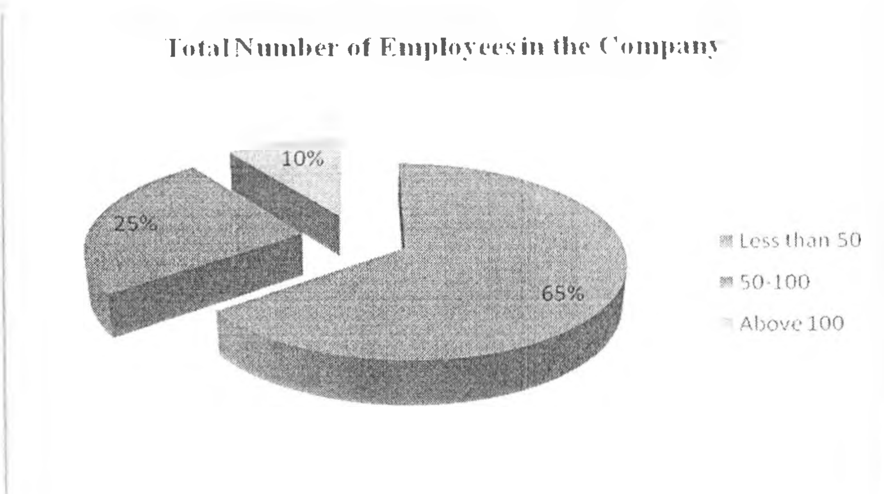
Table 1: Respondents' Length of Time in the Company

	Frequency	Percent
0-5 years	6	15.0
6-10 years	19	47.5
11-15 years	13	32.5
Over 15 years	2	5.0
Total	50	100.0

The findings in the above Table 2 show the length of time the respondents had been in their respective companies. From the findings, most of the respondents reported that they had been in the company for 6-10 years as shown by 47.5%, 32.5% had been in the company for 11-15 years, 15% of the respondents said 0-5 years, while 5% of the respondents said that they had been in the company for over 15 years.

The respondents were also required to state the total number of employees in the company. From the study most of the companies (65%) had less than 50 employees which means that they were small companies, 25% of the companies had 50-100 employees (medium companies), while 10% of the companies had above 100 employees (large companies). Figure 3 was also used to represent this information.

Figure 2: Total Number of Employees in the Company



4.3 Competitive Strategies

On competitive strategies, the study found from all the respondents that the strategic plan of agricultural chemical supplier incorporated the use of competitive strategies as a way of gaining competitive advantage in the industry and improving organizational performance. All the companies also reported that they had a competitive advantage over other companies in Nairobi. These companies reported that they achieved such an advantage by focusing their activities on a least three sectors of agriculture and they provide services or products to those sectors only, differentiating the companies as respectful and professional companies that care for the environment, strategic planning and implementation, by having a committee that reviews the company's competitiveness and plan for the future, the companies have specialized in providing agricultural products and they have a long time established running business across the country. These companies have also concentrated on repetitive marketing strategy aimed at creating a good reputation and customer satisfaction, by reaching and exceeding their customers' expectations and by continuous review of the firms strategies aimed at increasing competitiveness.

The respondents also reported that they considered competition from other companies as a major factor influencing the performance and competitiveness of their companies.

Table 2: Extent of Adoption of Strategies to Remain Competitive In the Market

	Greater extent	Moderate extent	Low extent	Not at all	Mean
offering a wide range of products	32.5	35.0	32.5	0	2.0
engaging high skilled staff	32.5	52.5	15.0	0	1.8
use of publicity	25.0	67.5	7.5	0	1.8
combining with competitors	17.5	30.0	52.5	0	2.5
advertisements	17.5	52.5	30.0	0	2.1

The respondents were also required to indicate the extent that they adopted the strategies in the above table in order to remain competitive in the market. From the finding, the study found from most of the respondents that the strategies that were adopted by these companies to a moderate extent were engaging high skilled staff and use of publicity as shown by a mean score of 1.8 in each case, offering a wide range of products shown by a mean score of 2.0 and advertisements as indicated by a score of 2.1. Most of the respondents reported that they combined with competitors to a low extent as a competitive strategy. Other strategies adopted by these companies in order to remain competitive in the market were outsourcing non-core activities, packaging of products into new and trendy packs, and education and training of staff.

Table 3: Effectiveness of the Tactics Used In the Company

	Very effective	Effective	Less effective	Least effective	Mean
offering wide range of products	42.5	25.0	32.5	0	1.9
coming up with new products in the market	25.0	67.5	7.5	0	1.8
engaging high skilled staff	20.0	47.5	32.5	0	2.1
use of publicity	27.5	65.0	7.5	0	1.8
avoid loss making areas	7.5	60.0	32.5	0	2.3
redefining the niche market to serve	40.0	45.0	15.0	0	1.8
advertisements	17.5	40.0	42.5	0	2.2

The respondents were also requested to indicate how effective the strategies used by their companies to remain competitive were in their companies. From the study, the strategies that were found to be effective were coming up with new products in the market, use of publicity and redefining the niche market to serve as shown by a mean score of 1.8 in all these cases, offering wide range of products as shown by a mean score of 1.9, engaging high skilled staff shown by a mean score of 2.1, advertisements shown by a mean score of 2.2 and also avoiding loss making areas as shown by a score of 2.3.

Factors That Influence the Choice of Competitive Strategies Adopted By the Company

On the factors that influenced the choice of competitive strategies adopted by the agricultural chemical suppliers, the study found that these choices were influenced by financial capability of the company, type of competitive strategies used by competitors and amount of money used in its implementation, time duration expected for the outcome of a given strategy, nature of competition, market seasons, available competitors, product similarity and market potential.

Table 4: Challenges When Implementing Competitive Strategies

	Greater	Moderate	Low	Not at all	Mean
High cost of maintaining quality products	7.5	82.5	10.0	0	2.0
attracting a large number of customers	40.0	50.0	10.0	0	1.7
inability to differentiate products	32.5	40.0	17.5	10.0	2.1
increased number of competitors	7.5	60.0	32.5	0	2.3
foreign competition	0	50.0	50.0	0	2.5
unpredictable government policies	0	57.5	42.5	0	2.4
constant change in customers needs	7.5	77.5	15.0	0	2.1

The study also sought to investigate the challenges faced by agricultural chemical suppliers in Kenya when implementing the competitive strategies. From the study, the challenges faced by these companies to a moderate extent were attracting a large number of customers as shown by a mean score of 1.7, high cost of maintaining quality products as shown by a mean score of 2.0, inability to differentiate products and constant change in customers needs as shown by a mean score of 2.1 in each, increased number of competitors as shown by a score of 2.3 and unpredictable government policies as shown by a mean score of 2.4. Foreign competition was a challenge faced by these companies in implementing competitive strategies to a low extent.

Possible Solutions to the Challenges

The respondents were therefore requested to suggest the possible solutions to the challenges faced by the companies when implementing competitive strategies. From the study, the respondents suggested that there should be proper planning in the company before implementing the competitive strategies, proper implementation of a competitive strategy, the companies should comply with laws and regulations, there should be persistence and consistency in activities, the companies should get financial support from shareholders and banks in case of inadequate financial capability, permanent and repeated overview of the past competitive strategies, proper market research should be done before implementing the strategies, improve in the knowledge about foreign trade, increase the number of varying products to meet customers expectations and needs, participating in foreign markets, the companies should remain focused in the market and differentiate their companies for the best, persistent and long term view when deciding on strategies to undertake and others suggested that the government should get involved in terms of policies governing agricultural chemical suppliers.

Whether Adoption of Competitive Strategies Is Of Any Value to the Firm

From the study, all the respondents felt that adoption of competitive strategies of value to the firm. This was because a competitive strategy encourages innovation and creativity in the company, it helps the organization to remain focused and not to follow what other competitors are doing blindly. With the competitive strategies, the companies are able to follow the direction that has been jointly agreed by all and then remain focused on activities and programmes that are relevant to the market and to the policies, goals and focus, they help the firm to increase in growth as they try to compete with others, they help the company to increase their competitive advantage to remain viable in the market despite the increasing market competition. Adoption of competitive strategies also helps the companies to focus on areas that they are competent in and where they have specialized skills. These strategies also help an organization in spending resources in areas viewed important to the business viability.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussions of the findings, conclusions and recommendations based on the objective of the study. The objectives of this study were to determine the competitive strategies used by agricultural chemical suppliers in Kenya, to determine the factors that influence the choice of such strategies and to determine challenges faced by Agricultural Chemical Suppliers in applying competitive strategies formulated.

5.2 Discussions

The researcher got responses from respondents who were in designations such as sales and marketing, directors, customer service managers and general managers. Most of these agricultural chemical suppliers companies had operated in Kenya for over 6 years, which implies that that they were well versed with the competition in the industry and the competitive strategies employed by these companies. Most of the respondents had also served in their companies for over 6 years. The study also found that most of these companies were small companies as they had less than 50 employees.

From the findings, the study found that the strategic plan of chemical supplier incorporated the use of competitive strategies as a way of gaining competitive advantage in the industry and/or improving organizational performance and they had a competitive advantage over other companies in Nairobi. These companies reported that they achieved such an advantage by focusing their activities on at least three sectors of agriculture industry and they provide services or products to those sectors only, differentiating the companies as respectful and professional companies that care for the environment, strategic planning and implementation, by having a committee that reviews the company's competitiveness and plan for the future, the companies have specialized in providing agricultural products and they have a long time established running business across the country, concentration on repetitive marketing strategy aimed at creating a consistency, good reputation and customer satisfaction, by reaching and exceeding their customers' expectations and also by continuous review of the firms strategies aimed at increasing competitiveness. These companies considered competition from other companies as a major factor influencing the performance and competitiveness of their companies.

From the study, the competitive strategies that were adopted by these companies in order to remain competitive in the market were engaging high skilled staff, use of publicity, offering a wide range of products and advertisements, outsourcing non core activities, packaging of products into new and trendy packs, and education and training of staff. The strategies that were effective in these companies were coming up with new products in the market, use of publicity, redefining the niche market to serve, offering wide range of products, engaging high skilled staff, advertisements and avoiding loss making areas.

According to the study, the factors that influenced choice of competitive strategies adopted by the companies were financial capability of the company, type of competitive strategies used by competitors and amount of money used in its implementation, time duration expected for the outcome of a given strategy, nature of competition, market seasons, available competitors, product similarity and market potential.

The study also established that there were some challenges experienced by these firms when implementing competitive strategies. These challenges were such as attracting a large number of customers, high cost of maintaining quality products, inability to differentiate products, constant change in customers needs, increased number of competitors and unpredictable government policies. The respondents therefore suggested that the possible solutions to these challenges could be proper planning in the company before implementing the competitive strategies, proper implementation of a competitive strategy, the companies should comply with laws and regulations, there should be persistence and consistency in activities, the companies should get financial support from shareholders and banks in case of inadequate financial capability, permanent and repeated overview of the past competitive strategies, proper market research should be done before implementing the strategies, improvement in knowledge about foreign trade, increase the number of varying products to meet customers expectations and needs, participating in foreign markets, the companies should remain focused in the market and differentiate their companies for the best, persistent and long term view when deciding on strategies to undertake and others suggested that the government should get involved in terms of policies governing agricultural chemical suppliers.

According to the study, the respondents felt that adoption of competitive strategies was of value to the firm as competitive strategies encourages innovation and creativity in the company, it helps the organization to remain focused and not to follow what other competitors are doing blindly, with the competitive strategies, the companies are able to follow the direction that has been jointly agreed by all and then remain focused on activities and programmes that are relevant to the market and to the policies, goals and focus, they help the firm to increase in growth as they try to compete with others, they help the company to increase their competitive advantage to remain viable in the market despite the increasing market competition. Adoption of competitive strategies also helps the companies to focus on areas that they are competent in and where they have special skills. These strategies also help an organization in spending resources in areas viewed important to the business viability.

5.3 Conclusions

From the study, it was concluded that the competitive strategies used by agricultural chemical suppliers in Kenya in order to remain competitive in the market were engaging high skilled staff, use of publicity, offering a wide range of products and advertisements, outsourcing non core activities, packaging of products into new and trendy packs, and education and training of staff. These strategies were found to be effective in these companies.

The study also concludes that the factors that determined the choice of competitive strategies to be adopted by agricultural chemical suppliers were financial capability of the company, type of competitive strategies used by competitors and amount of money used in its implementation, time duration expected for the outcome of a given strategy, nature of competition, market seasons, available competitors, product similarity and market potential.

The study finally concludes that the challenges faced by Agricultural Chemical Suppliers in applying competitive strategies were attracting large number of customers, high cost of maintaining quality products, inability to differentiate products, constant change in customers needs, increased number of competitors and unpredictable government policies.

5.4 Recommendations

The study therefore recommends that in order for the agricultural chemical suppliers in Kenya to have a competitive edge over the other companies in the market. they should ensure that they provide quality products to the customers, they should be able to differentiate their products from those of their competitors and also they should be able to monitor customer changes in their needs so as to comply with their needs.

The study also recommends that in order to ensure effectiveness in the implementation of competitive strategies, these companies should ensure that they engage highly skilled staff. they should regularly train their staff so that they are capable of implementing the strategies and also these companies should aggressively market themselves through advertisements and publicity so that they are known to the public and users of their products.

5.5 Suggestions for Further Research

The researcher recommends that further research should be done to establish other strategies used by agricultural chemical suppliers in Kenya to be competitive in the market such as the innovation and motivation strategies used. The study also recommends further study to be done in other types of companies in other industries to establish the competitive strategies used by those companies.

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APPENDICES

Appendix 1: Introduction Letter to the Interview Guide

TO WHOM IT MAY CONCERN

I am a postgraduate student studying at Nairobi University, currently undertaking a research on the effectiveness of competitive strategies adopted by agricultural chemical suppliers in Kenya.

Your organization is one of the organisations selected for the study.

I kindly request your assistance, and the information that will be collected is solely for academic purpose and will remain confidential. A copy of the final report will be made available to you at your request.

Your assistance will be highly appreciated.

Yours sincerely,

D K Kagwe

Appendix 2: Questionnaire

COMPETITIVE STRATEGIES EMPLOYED BY AGRICULTURAL CHEMICAL SUPPLIERS IN KENYA.

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

Part A: General information

1. Company Name: ____
2. What is your designation? ____
3. How long have your company operated in Kenya? ___________________________
4. What is your length of time in the Company? ______________________________
5. What is the total number of employees in your Company: Please tick one

    Less than 50 [ ]

    50 – 100 [ ]

    Above 100 [ ]

Part B: Competitive strategies

1. Does the Strategic plan of the chemical supplier incorporate the use of competitive strategies as a way of gaining competitive advantage in the industry and/or improving organizational performance?

    Yes ( )

    No ( )

2. Does your company have a competitive advantage over other companies in Kenya?

    Yes ( )

No ( )

If yes, how do you achieve such an advantage (please specify)

....

....

....

....

3. Do you consider competition from other companies as a major factor influencing the performance and competitiveness of your company?

Yes ( )

No ( )

4. Cost strategy; to what extent does your organisation employ the followings strategies

	Greater extent,	Moderate extent,	low extent,	Not at all
High cost of maintaining quality products	( )	( )	( )	( )
Attracting large number of customers	( )	( )	( )	( )
Inability to differentiate products	( )	( )	( )	( )
Increased number of competitors	( )	( )	( )	( )
Foreign competition	( )	( )	( )	( )
Unpredictable government policies	( )	( )	( )	( )
Rapid changes in interest rates	( )	( )	( )	( )
Constant changes in customer needs	( )	( )	( )	( )
Any other? Please specify				
....	( )	( )	( )	( )

5. Product Differentiation: To what extent do you adopt the following strategies to remain competitive in the market?

	Greater extent,	Moderate extent,	low extent.	Not at all
Offering a wide range of products	( )	( )	( )	( )
Engaging high skilled staff	( )	( )	( )	( )
Use of publicity	( )	( )	( )	( )

Combining with competitors	( )	( )	( )	( )
Advertisements	( )	( )	( )	( )
Any other? Please Specify				
....	( )	( )	( )	( )

6. How effective have these tactics been in your company?

Strategy	Very effective	Effective	Less effective	Least effective
Offering wide range of products				
Coming up with new products in the market				
Engaging high skilled staff				
Use of publicity				
Avoiding loss making areas				
Redefining the niche market to serve				
Advertisements				
Other (specify)				

7. What are some of the factors that influences the choice of competitive strategies adopted at your company.

....

....

....

....

8. To what extent do you face the following challenges when implementing the tactics above?

	Greater	Moderate	low	Not at all
High cost of maintaining quality products	( )	( )	( )	( )
Attracting large number of customers	( )	( )	( )	( )
Inability to differentiate products	( )	( )	( )	( )
Increased number of competitors	( )	( )	( )	( )
Foreign competition	( )	( )	( )	( )
Unpredictable government policies	( )	( )	( )	( )
Constant changes in customer needs	( )	( )	( )	( )
Other (specify)	( )	( )	( )	( )

9. What are some of the possible solutions to the challenges?

....

....

....

10. In your own opinion, is adoption of competitive strategies of any value to the firm?

Yes ( )

No ( )

Please explain

....

....

....

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....

....

....

....

Thank you