STRATEGIC CHOICES AND COMPETITIVE ADVANTAGE OF INDIGENOUS CONSTRUCTION COMPANIES IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI

2020

DECLARATION

I, the undersigned hereby affirm that this research project is my original work and has not been previously presented in part or in totality to any other institution of learning for the award of any degree or examination.

Signature:________________________ Date: **27-11-2020**

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D61/7545/2017

The research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

I reserve this research to my family for their unwavering support and encouragement all through this research project.

ACKNOWLEDGEMENT

I owe my facilitators Professor M. Ogutu and Professor Z.B. Awino profound appreciation for their persistence, professional advice and guidance they provided to me in the preparation of this research project to its completion. I also would like pass my gratitude to my family, friends and colleagues for their encouragement and support.

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ABBREVIATIONS AND ACRONYMS

CAK: Competition Authority of Kenya

DC: Dynamic Capabilities

DCT: Dynamic Capability Theory

GDP: Gross Domestic Product

GoK: Government of Kenya

NCA: National Construction Authority

RBV: Resource Based View

SCA: Sustainable Competitive Advantage

TMT: Top Management Team

ABSTRACT

Strategic choices guide organizations to identify where to action in order to outsmart competition sustainably. Organizations are composed of capabilities and resources, which include human, financial, physical and non-physical assets that can be used to enhance its competitive advantage to attain its objectives. This study's general objective was to examine influence of strategic choice and competitive advantage among indigenous construction companies in Kenya, while the specific objectives were to establish the factors that influences strategic choices of indigenous construction companies in Kenya and to determine how the factors that influence a firm's strategic choice affect the firm's competitive advantage among indigenous construction companies in Kenya. Descriptive cross-sectional survey was used in the study and the population of the study was all 50477 registered contractors in Kenya. The sample of the study was 87 construction firms in Kenya. Primary data collected through a questionnaire was used in the study. The study used simple linear regression method and found a positive relationship between strategic choice and competitive advantage. Correlation analysis revealed that strategic choice has significant influence on competitive advantage among Kenya's construction companies. The study concludes that competitive advantage is a continuous journey. Organizations have to continuously scan their external environment, note any change in trends in terms of customer needs and further looking inwards to assess the kind of capabilities it has in order to exploit the opportunities so availed. The study recommends that there is need for organizations to possess dynamic capabilities that can be harnessed to understand external and internal trends and crafting of strategies that can be applied to ensure long-term success. These strategies can achieve the intended goal if proper coordination of all the players is done by applying best practices in strategic choices.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations are composed of capabilities and resources, which include human, financial, physical and non-physical assets that can be used to enhance its competitive advantage to attain its objectives. The potential of a firm to maintain its competitive advantage has become a critical concern of the top management teams (TMT) in organizations. Inan (2015) asserts that firms capable of sustaining competitive advantage consistently in diverse environments tend to maximize shareholders' wealth. According to Githige (2011), the appropriate strategic choice gives a firm an edge over its competitors by enabling swift response to environmental changes to achieve its objectives. Strategy selected for adoption is hinged on various factors like competition and resources, which when disregarded leads to inability to be competitive in an industry (Gicheha 2006).

The study is anchored on the theories of resource-based view (RBV) and dynamic capability theory (DCT). The RBV is founded on the principle that resources of an organization if valuable, rare, inimitable and the firm is organized to utilize them can be translated into a strategic advantage. Peteraf et al (2003) affirm that the main catalysts for competitive advantage and superior performance are resources with attributes that are scarce and costly to copy. DCT lays emphasis on the organization's capacity to integrate, build, and reconfigure internal and external competences to address rapidly changing environments Teece et al. (1997). This is because a firm's competence relies on efficient and effective integration of internal and external resources.

The study was motivated by the challenges in the Kenyan construction sector where indigenous firms were recording declining profits and insolvencies even with increased investments witnessed in the sector. The increased investments attracted foreign firms making the construction sector volatile, competitive and further threatening a decline in the contracts secured by the indigenous firms. According to Muchira (2013), dominance of the sector by foreign firms causes jitters among local firms that are losing out in construction bids. Hence, the need for empirical evidence despite the theoretical predictions on the factors influencing strategic choices of indigenous construction companies to favorably compete.

The National Construction Authority (NCA) that is the organization tasked with vetting and registration of construction companies in Kenya categorizes companies into three main areas of specialization, which are; building works, electrical/mechanical engineering services and roads/water/other civil works. They are further subcategorized based on the value limit of work they are permitted to undertake ranging from NCA1 to NCA8. The NCA1 subcategory, which has no limit to the value of works, is where foreign firms are allowed to register. The study was focused on the indigenous Kenyan construction companies in NCA1 subcategory with emphasis on the factors that determine the success of their strategic directions to gain competitive edge and enhance their survival in the sector.

1.1.1 Strategic Choices

Strategic choice is a process that entails having cognizance of stakeholders' expectations, identifying available strategic options, evaluating the options against set criteria and selecting for implementation the most appropriate options (Johnson and Scholes 2009).

Choice of strategy is influenced by a firm's desire to be competitive and the dynamic business environment, which demands for strategies responsive to the external environment in order for a company to maintain relevance and survive in an industry. Drury (2000) affirms that managers have been compelled by changes in the business environment to develop and adopt strategies that are responsive in order to maintain their relevance in an industry.

Organization's TMT has a role to establish and implement strategies that protect the organization from external threats, enable it to outmaneuver the competitors and swiftly take up opportunities in the industry. A strategic choice needs to be able to satisfy an organization's objectives and this necessitates for it to be a rational choice based on logical evaluation of facts hence emphasis on the factors influencing strategic choices. It needs to provide more pros and least cons to the organization's objectives. A selected strategy may have to attain certain standards like appropriateness with respect to the available resources, acceptability of risk and acceptability to management. Competition is considered critical in determining success in the business world and the aim of strategic choice is for a firm to not only attain a favourable competitive position in an industry but also be profitable and sustainable.

Managers are usually expected to evaluate several alternatives when determining the course of action and various factors are considered to influence organizational strategic choices including; Ownership, which is defined by the number of shares owned in a company. This may compel management to focus primarily on the owners interests when selecting strategic choices. Poole et al (2003) states that studies conducted in the UK reveal that in the 1980's, managerial priorities were interests of shareholders and owners. In the 1990s and 2000, managerial priorities were focused on consumer interests.

Organizational culture refers to the commonly shared set of assumptions in an organization that includes habitual way of doing things by members. Wambugu (2006) observed that culture defines how managers make decisions regarding the relationship of the organization with the environment, which eventually influences the strategy adopted. Management therefore has the responsibility to align strategic choice to the culture.

Leadership is also a factor that guides the strategic direction taken by an organization. It is the basis for the way key decisions are made, communicated, and carried out at all levels within the organization. According to Pearce and Robinson (1997), leadership ensures the organization's efforts are consolidated and focused on achievement of its goal. Ethics is another factor that influences strategic choices; some of the strategic alternatives may seem attractive but when put under scrutiny of considering public good they may not meet the threshold and may be discarded. Availability of resources is another factor, Thompson et al (2007) states that when choosing a strategy, managers need to determine the resource requirement of a particular strategic choice and then compare it with the budgetary allocations to ascertain suitability. Mutugi (2008) states that strategy implementation is not possible when a strategic choice demands resource allocations beyond the reach of the firm.

Organizational vision and mission are also important elements in strategy selection. Clarity of mission and vision provides a basis on which future strategic choices are likely to be made. As stated by Ansoff (1990) the strategic decision an organization takes is dictated by what it exists for. Other factors in the external environment including social, political, economic, technological, environmental and legal procedures are considered as elements that an organization lacks control over but influences its strategic decisions significantly.

Kreidler (2013) asserts that, the strategic choices typical of firms include perseverance where organizations continue to operate in spite of acutely adverse dynamics. Diversification is also a type of strategy where a firm opts to venture into new opportunities to supplement traditional sources of revenue and geostrategic arbitrage where a firm takes advantage of its geographic location to outsmart competition. Minear and Gulio (2002) cited compromise as a strategic choice framework whereby an organization opts out of a deal to settle for an alternative. Specialization strategy, which is common to the construction context that this study is based on, is whereby a firm focuses on specific types of construction activities.

1.1.2 Competitive Advantage

Competitive advantage refers to the state that enables a firm to generate services or goods at an affordable price that meets the preference and desires of the customers (Wagner, 2014). This implies that competitive advantage can be attained by an organization that executes a unique value-creating strategy that the competitor does not concurrently duplicate. Sustainable competitive advantage (SCA) is developed from strategic assets; which according to Barney (1991) are controlled internally and permits the organization to develop and execute strategies that increase its performance. Stiles and Kulvisaechana (2004) postulate that competitive advantage as per the RBV depends on the valuable, rare, and hard-to-imitate resources in a firm and not as traditionally assumed to be dependent on factors like technology, economies of scale or natural resources which are progressively becoming easy to imitate.

When potential competitors cannot replicate successfully a particular valuable strategy of an organization, the strategy becomes a source of SCA to the organization. Meihami and Meihami (2014) assert that SCA involves achieving superior performance and economic value over a prolonged period. Moreover, it entails continual adjustment to environmental changes and ability to withstand all efforts to replicate a firm's advantage by its competitors. Competitive advantage thus becomes the foundation and a key determinant of superior performance to ensure survival and market dominance.

According to Schuler and Jackson (1987), there are three strategic techniques that can be used by organizations to develop competitive advantage: innovation, quality enhancement and cost reduction. In the innovation strategy, the main goal is to offer something new and special. Quality enhancement strategy mainly targets at improving product and/or service quality. In the cost reduction strategy, companies seek to develop competitive edge through offering customers lower better pricing by producing at the lowest cost.

Competition as a factor influencing strategic choices emphasizes the need for innovative ways among companies to attain competitive advantage. The limited number of active construction projects at any one time demands that firms adopt various strategies to woo clients. The aim of strategic choice is for a firm to attain a favourable competitive position, which is profitable and sustainable in the face of factors that influence industry competition.

Scholars have concluded that some forms of competitive advantage are not easily imitated, which enables firms to reap enduring benefits. This perception has contributed to the growth of competitive advantage concept from RBV and strategic choices that has led to the advancement of SCA. Porter (1985) affirms that SCA eventually leads to better performance therefore SCA is considered to be made up of two elements; above average performance notion and durability notion. The above average performance notion is a comparative measure that can be justifiably measured as the returns in comparison to the industry average. The durability notion is speculative and as stated by Wiggins and Ruefli (2015), it is ascertained within a minimum of a five-year period.

1.1.3 Construction Companies in Kenya

Construction companies operating in Kenya as per the law are required to be registered by the NCA and they range from sole proprietorships to multinational entities. Their role is to convert construction raw materials into complete useable infrastructure. The business transactions in the construction sector are mainly conducted in the form of projects, which usually are designed to operate within a specified time, scope, quality, and budget over which it is expected to be completed and handed over to the final user or operator.

Construction business is highly competitive and inherently risky since most businesses in the sector are accessed through a competitive tendering process whereby contractor firms compete with their peers forcing them sometimes to reduce their profits substantially in order to submit competitive bids. Increased investment in the construction sector mainly in infrastructure developments over the recent past has attracted construction companies beyond the borders of Kenya. The companies mainly foreign owned have established local operations creating heavy competition for indigenous construction companies.

K'Akumu (2007) opined that the Kenyan construction sector is of strategic economic significance due to its contributions to gross domestic product (GDP). In 2018, the sector's growth decelerated to 6.6% from 8.5% in 2017 but in spite of the slowed growth, increased construction activities over the same period were evident by increased cement consumption from 5,856.6M to 5,948.7M tonnes. In addition, loans and advances from commercial banks to the sector increased from Kshs 112bn to Kshs 114bn. In 2018/2019, the government's expenditure on transport and water infrastructure rose by 23% and 46.3% to Kshs 195bn and Kshs 53.4bn respectively. (Economic Survey GoK, 2019).

1.2 Research Problem

Strategic choices guide organizations to identify where to action in order to outsmart competition sustainably. Husseina (2014) stated that sound choice of strategy leads to competitive advantage that result in excellent performance. Firms tend to act in a reactive manner to gain operational excellence that may decrease costs and improve quality but only a suitable strategic choice, which is a critical antecedent of competitive advantage, can deliver a sustainable success (Kaplan and Norton 2008). Indigenous construction companies are firms that have at least 50% shareholding by Kenyan citizen and are registered by NCA. The Kenyan government has rolled out programmes like affordable housing and expansion of transport networks, geared towards improving infrastructure to spur economic growth. This has attracted foreign enterprises, which have outmaneuvered indigenous firms to take up major government construction projects. The foreign firms have further ventured and dominated construction projects by private investors there by putting a lot of uncertainty on the survival of indigenous firms in the industry.

Several studies have acknowledged the challenges facing the construction industry. Winch (2000) studied innovativeness in the Channel Tunnel project meant to link France to England and established that the French were more prepared to improve construction processes through innovation as compared to their British counterparts. The comparative study, which was based on review of literature, evaluated construction firms' performance, based on their level of process automation, which is a skewed evaluation criterion when considering strategic management that emphasizes on the achievement of SCA as a key criterion of a firm's performance.

Chinowsky et al (2000) in their study of strategic management in Indonesian construction companies compared the level of application of strategic management and project management practices and opined that strategic management received less attention among construction professionals as compared to project management topics. The case study approach offered an exclusive descriptive analysis of the application of the variables therefore the findings might have limited application elsewhere in the world.

Kagioglou et al (2001), studied performance management that focused on performance measurement approaches in UK construction firms. The study was biased to the use of balanced scorecard as a performance evaluation tool but was deficient on the comprehensive influence and systematic approach of strategic management practices in construction companies and their consequent effect on competitive advantage. The study was a critical review of existing literature on the variables as compared to this study that involved collection and analysis of primary data.

Seung et al (2010) researched on the strategies adopted by South Korean contractors to sustain growth in the global construction market and established that in order to keep pace with the dynamic global market, leading contractors utilized diversification strategy to establish a consistent competitive edge. The study, which was a review of existing literature, assumed that all construction firms could effectively adopt diversification strategy, which creates a conceptual gap considering every firm develops its unique strategy depending on its strengths, weaknesses opportunities and threats. The study was specific to indigenous South Korean construction companies, which limits its application to Kenya.

Odunga (2011) studied strategic management practices within construction firms in Kenya and found that firms were actively involved in strategy formulation process. The study used cross sectional survey design which enabled collection of various data from a sizeable population but was specific to construction firms' specializing on building works thereby omitting firms specializing in other forms of construction. The study focused on strategy formulation overlooking other critical processes like strategy implementation and evaluation therefore the finding overly assumed that by construction firms being involved in strategy formulation, they were fully implementing strategic management practices, which present a conceptual gap.

Yamo (2006) studied strategic planning and performance of civil engineering construction firms in Nairobi and found existence of a correlation between performance and strategic planning. The study adopting a cross sectional survey design focused on day to day planning practices of construction projects and how it improves project performance of civil engineering firms. The study population was specific to road construction companies and conceptually did not consider the holistic approach of strategic management plan of a firm since emphasis on individual project performance frequently obscure the wider social, economic and professional context under which strategic management is carried out.

Nguku (2015) studied the survival of local construction companies in Kenya through diversification and established that it can enhance survival of Kenyan construction companies. The study adopted an explanatory study design and assumed that all construction companies can adopt diversification strategy, which does not align with Njoroge (2013) who asserts that the uniqueness of a strategy gives a firm a competitive edge in an industry. The population sampled may have been biased since it was not stratified based on the categories of specialization in the construction industry.

Abonda (2017) studied competitive strategies and organizational performance of construction companies in Kisumu County using explanatory study design and found that competitive strategies influenced organization's performance. The study failed to address why an organization would choose a particular strategy over another and by inclining only on diversification strategy, it limits the robustness of strategic choices to impact competitive advantage. The study population is limited to companies in Kisumu County and recommendations may have limited application in other Counties.

In spite of the significant contribution in the field of strategic management by these studies, empirical studies with respect to factors influencing strategic choices and competitive advantage among indigenous Kenyan construction companies is still scarce. This study undertook to address the question; how do factors influencing a firm's strategic choice affect the firm's competitive advantage?

1.3 Research Objectives

The research objectives that guide the study are:

i. To establish the factors that influences strategic choices of indigenous construction companies in Kenya.
ii. To determine how the factors that influence a firm's strategic choice affect the firm's competitive advantage among indigenous construction companies in Kenya.

1.4 Value of the Study

The study outcome will enlightened indigenous construction companies' TMT in Kenya on elements to take into account when opting for a strategy for their companies to be competitive and successful in the industry. The findings will provide further insight on the effectiveness of sound strategic choices about achievement of SCA for various indigenous construction companies since it will be a source of important information not only for strategic choices but also on factors influencing strategic choices in light of attaining competitive advantage.

It will benefit policy makers by providing information, which can be used in developing policies to enhance indigenous construction firms' contribution to the economy of Kenya. The relevant GoK agencies like the Competition Authority of Kenya (CAK), NCA and other related agencies will find the study an invaluable source of information for charting policy direction to enhance the competitiveness of indigenous construction firms. Consequently, more competitive indigenous construction companies translate to reduction in the value of profits repatriated by foreign firms and subsequently better contribution of the indigenous companies to the national GDP of Kenya.

The study will spur further research in related areas to increase the volumes of existing knowledge and define concepts related with strategic choice. It provides empirical evidence on the association between factors influencing strategic choices and competitive advantage among indigenous construction companies. These findings when compared with the predictions of dynamic capability and resource based theories helps in refining the theories and provide direction for further research. The research will also help other researchers by shedding light on factors influencing strategic choices. This will assist in identifying the relevant gaps that need to be improved as well as contributing to the general wealth of knowledge on factors influencing strategic choices and competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews works of authors and scholars regarding the concept of strategic choices, factors shaping strategic choices and competitive advantage. It entails theories on which this study is founded and previous empirical studies. This assists in developing the literature of abstract theories that may lack contextual orientation. Previous studies provide relevant information, which can assist in providing clarity to the relation between strategic choice and competitive advantage although various knowledge gaps still prevail. For instance, some of the studies have used selected indicators of the variables of which some have certain weaknesses. Most have focused on non-profit organizations yet the construction companies forming the focus of this study have unique characteristics.

The previous studies on the concept of strategic choice and competitive advantage have used Porter's theory of competitive advantage and resource based view to relate the two variables. This study is based on the postulations of RBV founded by Barney (1991) and dynamic capability theory founded by Teece, Pisano and Shuen to evaluate the factors that influence strategic choices being considered the independent variable and competitive advantage being considered the dependent variable.

2.2 Theoretical Foundation

Theories give meaning and explanations as to how and why things happen the way they do through a reasoned thinking on how societal happenings unfold. This study is founded on two theories; dynamic capability theory and resource based theory. The two theories relate the firm to the environmental dynamics and derivation of competitive advantages in the face of environmental turbulence. The predictions of each theory with regards to the behavior of the study variables as well as its major weakness have been articulated in this section.

2.2.1 Dynamic Capability Theory (DCT)

DCT states that organizations tend to develop DC and continuously reconfigure them to keep pace with the changing environmental dynamics. The proponents of DCT argue that among other attributes a company ought to advance its competences in a dynamic setting by utilizing peripheral company specific proficiencies (K'Obonyo, 2011) and this is the logic that forms the basis of strategic choice. The shortfall of DCT is that it assumes the existence of an equilibrium point of DC, which ought to be the preoccupation of a prudent corporate strategist; which is not ideal since organizational performance is relative.

DC reflects on the potential of companies to achieve new and creative types of competitiveness. It is concerned with the ability to incorporate, develop and reconfigure both the internal and external competences in order to respond to the swiftly evolving environment (Teece et al, 1997). DC therefore explains how strategic decision makers in business can cope with the ever-changing world and how their competitive edge can be maintained.

Organizational action consists of selections and uncertainties making every strategic action to have inherent blind spots. As a result, fully adaptable organizational capabilities and continuous adjustment to every environmental change might not be attainable (Wohlgemuth 2016). This study used the predictions of DCT to determine the factors that influence strategic choices among indigenous construction companies in Kenya as they face competition. Augier and Teece (2006) argue that the fundamental essence of DC approach is that competitive gain and prosperity stems from continuous development and reconfiguration of unique assets that can be exploited against competition by the enterprise.

2.2.2 Resource Based View

RBV stipulates that for an enterprise to establish and sustain a competitive edge, it needs to formulate and choose strategies that enables it to well utilize its unique assets which according to Barney (1991), the assets should have four key attributes; valuable in neutralizing threats and exploiting opportunities, rare among competitors, not easy to imitate and have no strategically equivalent substitutes. RBV examines the relationship among internal resources of a firm and strategic choice adopted for competitive edge.

The RBV lays emphasis on strategic choice, tasking organizational leadership with the key responsibility of identifying, developing and allocating critical resources to optimize returns (Fahy, 2000). RBV in the construction industry is used to define and develop strategic planning frameworks that can help firms navigate present construction projects and capture prospects for the future. Capabilities and resources acquired over time create options for future business explorations and give a firm leverage over its competitors (Kogut and Kulatilaka, 2001). In the construction sector these can include; equipment, templates for planning, financial models, knowledge workers and best practices.

Loasby (2002) discusses the view that investments in capabilities and resources are choices made in the sense of uncertainty and that it is the combination of these factors that actually make real options potentially valuable. The essence of the RBV is that competitive advantage is generated when an organization's exclusive resources are used in creating unique competencies. The resulting advantage can be sustained because the rivals lack replacements and imitation. As postulated by Njoroge (2014) for a firm to effectively utilize the resource-based approach, it needs to appreciate the relational interaction between resources, capabilities, competitive advantage and its overall profitability. It is therefore critical for the firm to make strategic choices, which can leverage its resources to gain competitive advantage.

2.3 Factors that Influence Strategic Choices and Organizational Competitive Advantages

Githige (2011) asserts that various factors influence the choice and use of any strategy including among others, availability of resources, corporate culture, manager's knowledge, technology, government policies and industry competition which at times forces organizations to respond in ways that ensure they remain competitively relevant. The failure to consider these factors always results in an organization struggling to survive. Thus, strategic choice, like any other choice is made in the context of decision situation and decision maker. Interaction of both these types of factors actually determines what strategy will be chosen.

Competitive strategies are about doing much better to please the customers than the competitors. It involves offering what the buyer wants, which enables the firms to gain an edge in the market place. The capacity to achieve and maintain competitive advantage is essential for an organization's growth and prosperity. Firms achieve this through strategic initiative, which according to MacMillan (2001) refers to a company's capability to take charge of strategic behavior in the sectors it is competing in.

Hunt (1995) opines that competitive advantage is only realized when a firm combines assortment of its resources in a way that they deliver a unique competency that is valued in the market place. Carton (2004) affirms that strategy implementation is the process that translates strategic choices into strategic actions to steer an organization in the direction of desired performance. How well strategic choices are converted to strategic action gives an organization the competitive advantage, which defines its performance.

The issues of strategic choices and competitive advantage have triggered a number of researchers. Muhammad (2010) studied strategic management of construction companies in Indonesia using exploratory study design and found that most firms adapted by refocusing the business particularly by controlling costs. The study was inclined towards financial performance as perpetuated by economic conditions, which provided limited evidence on gains in competitive advantage during the various economic conditions reviewed. The context is short of application in Kenya since Indonesia is one of the top twenty global economies and Kenya is a developing economy.

Mvubu (2009) studied the assessment of performance of contractors in Swaziland and established that the main obstacles facing contractors include delayed payments and exigent contract conditions. This agrees with the findings of Ofori (2014) who researched on the problems affecting Ghanaian contractors and found that the challenges affecting performance include lack of adequate working capital. They further opined that many construction firms experienced financial distress and bankruptcy due to delayed payments. Both studies used exploratory study design and were inclined towards evaluation of organizational performance as opposed to competitive advantage.

Windapo (2017) using a descriptive study design examined organizational factors for sustainable growth of construction companies in South Africa and revealed that founding members' capabilities, strategic choices, organization's adaptability and responsiveness to emerging challenges were responsible for organizations' sustainability and growth. The study considered internal organizational factors with emphasis on strengths and weaknesses. This study considered both internal and external organizational factors influencing strategic choices and analyzed the relationship with competitive advantage.

Bekr (2017) using explanatory study design assessed the factors influencing project performance in Iraqi construction companies and established that project delays and cost overruns were occasioned by political instability. The study related factors influencing construction project implementation with overall project performance and fell short of considering factors influencing strategic management decisions, which are more concerned with overall organizational performance. The study was specific to unstable political and economic conditions whereas this study considered the holistic external environment and how it influences strategy selection and competitive advantage.

Janvatanavit, (1993) using case study design studied competitive advantage of Hong Kong real estate firms and established that various factors influence competitive advantage in global firms. Similarly, Heng et al. (2009) through a case study on competitive factors in real estate market in China found that companies were competitive based on the parameters under study. Husin et al (2013) using descriptive study design studied sustainable construction in Malaysia and noted that lean implementation is the key driver to achieving sustainable construction to overcome cost and time overrun. The studies did not cover the entire industry in their respective countries and were in environments different from Kenya, which limits their application to Kenyan context.

Locally Mathuiya (2017) using descriptive study design studied the influence of innovation strategy and competitive advantage of construction companies operating in Kenya and found that innovation affects a company's competitive advantage. The study was specific on innovation strategy while this study focuses on the different factors influencing strategy selection and is specific to Kenyan owned construction companies.

Gakombe (2002) studied strategic choice adopted by private hospitals in Nairobi and established that strategic choices were mainly influenced by ownership, financial objectives and competition. This had similarities with the findings of Iko (2006) who studied the strategic choices made by publishing firms in Kenya and concluded that market penetration was the most preferred strategy among publishers. Both studies used exploratory study design and focused on strategic choices whereas this study drew a causal relationship between factors influencing strategic choices and competitive advantage in the construction sector.

Nyambariga (2018) studied strategic choice and organizational performance of humanitarian non-governmental organizations in Nairobi County using explanatory cross sectional survey design and found a correlation between strategic choice and performance. Conceptually the study was determining the correlation between the construct of organizational performance as the dependent variable rather than competitive advantage which this research intends to tackle. The study context was in the non-profit industry whereas this study focused on for-profit industry.

Musomba (2012) using a case study design studied strategic choice in Kenyan commercial banks and established that choice in strategy is determined by change in technology, organizational culture, industry competition, resources and TMT preferences. He further stated that competition, inefficiencies and regulations made the banking sector unpredictable hence strategic choice and new dynamics in the way banks are managed is inevitable for competitive edge. This study focuses on the construction industry, which has different dynamics to the banking sector.

Odunga (2011) studied strategic management practices within construction firms in Kenya and found that firms were actively involved in the strategy formulation process. The study using cross sectional survey design failed to establish what factors are taken into consideration during strategy formulation and this is what the current study sought to address. The context emphasized on strategic management practices while this study focuses on strategic choice that is a process in strategic management practice to provide deeper analysis on strategic choices.

Nguku (2015) studied the survival of construction companies in Kenya through diversification and found that diversification can enhance survival of construction companies in Kenya. Abonda (2017) further studied competitive strategies and organizational performance of construction companies in Kisumu County and found that competitive strategies influences company’s performance. Both studies used cross sectional study design and focused on how various strategic options could enhance survival of the construction companies in the industry but did not address why an organization would opt for a particular strategy over another.

2.4 Summary of Literature Review and Knowledge Gaps

The studies reviewed are empirical since the methodologies used involved collection of primary quantitative and qualitative data, which allowed for comparative analysis of the variables to draw verifiable inferences in order to obtain rational conclusions and validate the studies. Though they delved into different facets of competitive advantage, research on indigenous Kenyan construction companies with regards to strategic choice influences to gain competitive advantage is still scarce. In most of the study models, researchers define competitive advantage simply as organizational performance, whereas these are two distinct research constructs. Competitive advantage refers to an organization developing and maintaining a suitable advantage over rivals in a particular sector (Powel 2001) and organizational performance relates to the achievement of strategy and financial objectives (O'Shannasy, 2008).

This study endeavours to tackle the research gaps discussed in the empirical studies reviewed by undertaking a country and industry specific empirical study to correlate strategic choice influences and competitive advantage to better understand whether Kenyan construction companies can gain competitive advantage and improve their chances of survival and growth in the current turbulent and uncertain operating environment by analyzing the factors that influence their strategic choices and competitive advantage.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology defines the protocol to adopt in finding the results of a certain problem on a given subject and this is referred to as a research problem. In the methodology, the researcher comes up with various criteria of solving the research problem and always attempts to find answers up to the conclusion. Industrial research institute (2010) refers to methodology as a procedure of solving the research problem.

The credibility of the findings highly depends on the research design, data collection and analysis. The research design is the plan taken up to guide the study towards achievement of its objectives. Data collection methods describe the manner in which characteristics of the variables are captured, while data analysis consists of data processing activities undertaken to achieve the study objectives.

This section outlines the methodology, which was applied to achieve the research objectives. The chapter also captures the stages taken in the research and describes the details of the research design, target population, sample size, data collection methods and analysis.

3.2 Research Design

Research designs that can be applied in research include exploratory, descriptive and explanatory designs (Saunders et al., 2007). Exploratory design aims to establish what is happening in a particular environmental setting pertaining to the phenomenon under analysis by asking questions; descriptive study pertains to the disclosure of an accurate profile of a phenomenon in order to provide more details, whereas an explanatory study targets to establish relationships between study variables (Kothari 2004).

Descriptive cross sectional research design was preferred for this particular study since it allowed gathering of information that can be statistically analyzed to gauge the relationship of the variables that describe the incidence of the phenomenon. It also allowed for the generalization of the findings to compare indigenous construction companies on the factors that influence their strategic choices and how they influence competitive advantage.

The number of variables to be measured and the existence of intricate relationships among some of the variables make this research design ideal in this particular study. The survey data is essential to assess and gauge causality. The design allows the capturing of comprehensive data that is both quantitative and qualitative regarding indigenous construction companies. The study gathered primary data for analysis obtained through a questionnaire designed to cover all the indicators of factors influencing strategic choice and competitive advantage.

3.3 Population of the Study

The NCA Act, 2011 requires that the authority maintain an updated register of all practicing contractors in Kenya. It is therefore the best source of the most current and comprehensive list of contractors in Kenya. The listing of June 2020 had 50477 registered contractors in Kenya categorized based on the value limit of work they can undertake in three main categories as depicted in Table 3.1.

Table 3.1: Registration Categories of NCA1 Construction Companies

Sub Category	CATEGORY 1	CATEGORY 2	CATEGORY 3
	Building works	**Electrical/Mechanical Engineering Services**	**Road, Water and other Civil Works**
	Value of work (Kshs)	**Value of work (Kshs)**	**Value of work (Kshs)**
NCA 1	Unlimited	Unlimited	Unlimited

Source: National Construction Authority 2020

As shown in Table 3.1, The study was conducted among indigenous construction firms registered under NCA1 subcategory that have unlimited value limits on the work they can undertake and is also the subcategory in which foreign owned companies are allowed to register in Kenya.

3.4 Sample Design

Companies in NCA1 subcategory as at June 2020 were 1188 of which 958 are based in Nairobi. Mugenda and Mugenda (1999) states that a smaller sample is not very representative though useful in a homogeneous population while a larger sample is very representative and useful in heterogeneous population. Bearing this in mind and to obtain a sample relative to the goals of the study, level of confidence of 95% with a margin of error of 10% was applied on Kothari formulae (2004) as follows:

$$n = \frac{Z^2 pqN}{e^2(N-1) + z^2 pq} = \frac{(1.96)^2 \times 0.5 \times 0.5 \times 958}{(0.1)^2(958-1) + (1.96)^2 \times 0.5 \times 0.5} = 87$$

Where **n** is the sample size, **p** is the population reliability i.e. 0.5, **q**= (1-.0.5), **Z**=value of selected alpha level 0.05 therefore **Z** is 1.96 and **e** is the margin of error. Therefore, the sample size for this study based on research objectives was 87.

Table 3.2: Sample Stratification table

	Category	Population	Sample size
1.	Building works	318	29
2.	Electrical/Mechanical engineering services	283	26
3.	Road, water and other civil works	357	32
	Total	**958**	**87**

Source: Researcher 2020

Due to limitations of time and finances, 958 NCA1 firms based in Nairobi were studied and as per Table 3.2, the three main categories formed the strata for the study sample. Sample size from the strata was based on proportional random sampling.

3.5 Data Collection

The population sample provided the primary data that was collected and applied to obtain maximum information from the interviewees considered the source of raw crucial information. Semi structured questionnaires (Appendix) was used with open and close-ended questions. It consisted of two sections: Part I: company's demographic information; Part II: factors influencing strategic choices and competitive advantage.

The open-ended questions allowed respondents to answer questions without restrictions while the closed-ended questions restricted respondents to provide a specific range of answers. The closed ended questions were used in evaluating different features and assist in lowering the number of associated responses to provide diverse opinions. The open-ended questions assisted in providing data not obtainable through the close-ended questions.

The targeted respondents included directors or members senior management or management committee. The selection of the right respondent was critical; as these were, the people tasked with the responsibility of making organizational decisions and were better positioned to give accurate, relevant and reliable information since they are more versed in the research subject matter. The researcher circulated the questionnaires electronically to the respective respondents.

3.6 Data Analysis

Descriptive statistics was applied to evaluate the data collected, whereby percentages, means and frequencies are used to reveal the level to which various factors influence strategic choices to gain competitive advantage in indigenous construction firms. A comparison of the means was also be used to determine how multiple variables influence an element under consideration. Possible relationship between competitive advantage and particular factors was indicated by clustering of factors around strategic choices and competitive advantage. Regression model was applied to establish the relation between factors influencing strategic choices and competitive advantage in the form:

$$Y= \beta_0+\beta_1X_1+\mathcal{E}$$

Where: Y = competitive advantage among indigenous construction companies in Kenya (Dependent Variable), X_1 = factors influencing strategic choices (Independent Variable), β_0 = Constant is the dependent variable value if all independent variables are zero, β_1 = which is the coefficient of factors influencing strategic choice and $\mathcal{E}$ = the precision error at 95% confidence level.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section consists of analysis of the data obtained and discusses the research findings of study on the relationship between strategic choice and competitive advantage.

4.2 Response Rate

The study recorded 68 % response rate as 60 questionnaires of the 87 that were distributed were successfully completed and given back for data analysis. The results agree with Mugenda and Mugenda (2013) affirmation that rates greater than 50% are satisfactory in the analysis. Babbie (2010) further asserts that a 60% return rate is decent and a 70% return rate is considered excellent. The researcher deemed the response rate adequate for data analysis.

4.3 General information

This section is concerned with the general details regarding both the firm and the respondent. The information helps in understanding the background of the organization and the respondents under review. It requested information pertaining to the role of the respondent in the firm, name of organization and number of employees in the firm.

4.3.1 Role in the Firm

Participants provided information about their roles in their respective firm’s structure as shown in Table 4.1

Table 4.1: Role in the Firm

Role	Frequency	Percent
Top management role	20	33.3
Middle management role	30	50.0
Lower management role	10	16.7
Total	**60**	**100.0**

Source: (Primary data, 2020)

The results in Table 4.1 denote that most respondents are in middle management at 50% followed by top management at 33.3% and lastly in lower management position at 16.7%. This implies that most of the respondents were well informed with information concerning strategic choices of their respective organizations.

4.3.2 Length of Service in the Industry

This reflects the duration the respondents have been working in the construction industry. The assumption is that respondents with long period of continuous service in the industry are experienced and able to respond to the questions by providing requisite information based on industry knowledge and are conversant with the strategic choices of their respective firms. The result is represented in Table 4.2.

Table 4.2: Length of Service in the Construction Industry

Years	Frequency	Percentage
0 – 4 years	9	15.0
5 – 9 years	11	18.3
10 – 14 years	25	41.7
Over 15 years	15	25.0
Total	**60**	**100.0**

Source: (Primary data, 2020)

The result from Table 4.2 reveal that most respondents at 41.7% have worked in construction industry for between 10–14 years, and 25.0% of the respondents have served in the industry for 15 years and above. In addition, the study also found that 18.3% have been working in the construction industry for 5-9 years and lastly those who have been in the industry between 0-4 years was 15%. This reflects that over 50% of the respondents have been in the construction industry for over 5 years and assuming that all other factors remaining constant, they are considered familiar with the events in the construction industry concerning the research subject area. Employees who have been in the industry for long tend to give more valid information about the sector and the firms. This is consistent to Akenga and Olang' (2017) that most senior managers in companies have stayed in one industry more than seven years.

4.3.3 Permanent Employees

The research aimed to establish the tally of permanent employees in the respondents' construction companies. They were to indicate the count of permanent staff employed in their respective firms. The outcome of the analysis of the responses is shown in Table 4.3

Table 4.3: Number of Permanent Employees

Employees	Frequency	Percentage
1 – 100	35	58.3
101 – 200	15	25.0
201 – 300	6	10.0
Over 300	4	6.7
Total	**60**	**100.0**

Source: (Primary data, 2020)

The results from Table 4.3 reveal that 58.3% of the respondents' construction companies had permanent staff between 1-100, followed by 25% who had staff between 101-200, 10% were 201-300 and lastly over 300 staff at 6.7%. This implies that most construction companies prefer not to hire permanent staff.

4.3.4 Contract Employees

The research aimed to establish the tally of employees on contract in the respondents' construction companies. They were to indicate the count of employees on contract in their respective construction companies. The outcome of the analysis of the responses is shown in Table 4.4

Table 4.4: Number of Contract Employees

Employees	Frequency	Percentage
1 – 100	2	3.3
101 – 200	20	33.3
201 – 300	13	21.6
Over 300	25	41.6
Total	**60**	**100.0**

Source: (Primary data, 2020)

The outcome from Table 4.4 reveal that 41.6% construction companies have over 300 staff on contract, followed by 33.3% that had between 101-200 employees, 21.6% were 201-300 and lastly 1-100 at 3.3%. This implies that most construction companies prefer to hire staff on contract.

4.3.5 Category of Firms' Registration

Participants provided information about category of company registration by National Construction Authority as shown on Table 4.5

Table 4.5: Category of Respondent's Company Registration by NCA

Category	Frequency	Percent
Building works	15	25.0
Electrical/Mechanical engineering services	13	21.7
Roads, water and other civil works	7	11.6
More than one NCA category	25	41.7
Total	**60**	**100.0**

Source: (Primary data, 2020)

The findings show that majority of the construction companies have registered in more than one NCA category at 41.7%, followed by building works at 25%, electrical/mechanical engineering services at 21.7% and lastly roads, water and other civil works at 11.6%. This implies that most construction companies have registered in two or all the three categories in NCA.

4.3.6 Business Strategic Policy

Participants provided information about their firms' having a formally approved business strategic policy as shown on Table 4.6

Table 4.6: Availability of Business Strategic Policy

Class	Frequency	Percent
Yes	46	76.7
No	9	15.0
Don't Know	5	8.3
Total	**60**	**100.0**

Source: (Primary data, 2020)

The findings show that majority of the construction companies have business strategic policy at 76.7% while companies that do not have business strategic policy are 15% and lastly 8.3% of the respondents do not know if their company has business strategic policy. This implies that most of the companies had a strategy document and could provide relevant contribution to this study.

4.3.7 Internal and External Business Environmental Analysis

Participants provided information about whether their firms' conduct business environmental analysis and review business strategies to cope with environmental changes as shown on Table 4.7.

Table 4.7: Internal and External Business Environmental Analysis

Class	Frequency	Percent
Yes	50	83.3
No	10	16.7
Total	**60**	**100.0**

Source: (Primary data, 2020)

The findings show that majority of the construction companies' conducts internal and external business environmental analysis and review business strategies to cope with environmental changes at 83.3% while 16.7% do not conduct. This implies that most of the respondents update strategies to align it with the changes in the business environment and can have a relevant contribution to this study.

4.4 Factors Influencing Strategic Choices

Strategic choice is a process that entails having cognizance of stakeholders' expectations, identifying available strategic options, evaluating the options against set criteria and selecting for implementation the most appropriate options. Choice of strategy is influenced by the organization's desire to be competitive and the dynamic business environment, which demands for strategies responsive to the external environment in order for a company to sustain its relevance and survive in an industry.

4.4.1 Strategic Choice options

Various statements on strategic choice options required the respondent to indicate to what level they concur with statement identified by the researcher about strategic choice options on a Likert scale of 1-5. The analysis is indicated in Table 4.8

Table 4.8: Strategic choice options

Strategic Choice Options	**N**	**Mean**	**S.D**
Diversification of products and services	60	4.78	0.578
Developing new products and services	60	4.11	0.504
Specialization for particular type of works	60	4.63	0.547
Venturing into alternative businesses	60	4.14	0.513
Focus on specific geographical locations	60	4.23	0.523
Cost reduction on products/services	60	4.54	0.505
Quality enhancement on products/services	60	4.23	0.798
Overall average mean	**60**	**4.38**	**0.652**

Source: (Primary data, 2020)

From the research findings, most respondents apply diversification of product and services illustrated by a mean of 4.78 and SD of 0.578. Specialization for particular types of works depicted by a mean of 4.63 and SD of 0.547. Cost reduction on products/services illustrated by a mean of 4.54 and SD of 0.505. Focus on specific geographical locations and quality enhancement on products/services illustrated by a mean of 4.23 and SD of 0.523 and 0.798 respectively. Venturing into alternative business depicted by a mean of 4.14 and SD of 0.513. Lastly, developing new products and services depicted by a mean of 4.11 and SD of 0.504. The overall mean was 4.38 implying that strategic choice option influence firms to a great extent. The findings agree with Drury (2000) who affirms that managers have been compelled by changes in the business environment to come up with and adopt strategies that are responsive for them to maintain their relevance in an industry. Kreidler (2013) who asserts that, the strategic choices typical of firms include perseverance where organizations continue to operate in spite of acutely adverse dynamics further affirms this.

4.4.2 Strategic Choice Influences

The respondents indicated the level to which the listed factors influenced their strategic choice on a scale of 1-5. The outcome are as shown in Table 4.9

Table 4.9: Strategic Choice Influences

Strategic Choice Influence	N	Mean	S.D
Availability of Resources	60	4.30	0.631
Company leadership/management	60	4.42	0.658
Advancement of Construction Equipment	60	3.70	0.597
Competition from foreign firms in Kenya	60	4.50	0.643
Public budget for Infrastructure development	60	4.52	0.505
Existence of regulatory authorities e.g. NCA	60	3.70	0.497
Political situation in the country	60	4.49	0.562
Devolved county Government structure	60	3.81	0.545
Economic growth rate	60	4.71	0.672
Overall	**60**	**4.23**	**0.636**

Source (Primary data, 2020)

The findings show that economic growth rate had a mean of 4.71 and SD of 0.672, public budget for infrastructure development had a mean of 4.52 and SD of 0.505. Competition from foreign firms in Kenya had a mean of 4.50 and SD of 0.643. Political situation in the country had a mean of 4.49 and SD of 0.562. Company leadership/management had a mean of 4.42 and SD of 0.658. The overall mean was 4.23 implying that the listed factors influences respondents' choice of strategy to a great extent. This aligns with Githige (2011) who stated that various factors influences the choice and use of a strategy in a firm which sometimes tends to force organizations to respond in ways that ensure they remain competitively relevant.

4.5 Competitive Advantage

Competitive advantage refers to the state that enables a firm to generate services or goods at an affordable price that meets the preference and desires of the customers.

4.5.1 Factors to Gain Competitive Advantage

The respondents indicated the level to which they agreed with the statement identified about factors to gain competitive advantage on a scale of 1-5. The outcomes are shown in Table 4.10

Table 4.10: Factors to Gain Competitive Advantage

Competitive advantage	**N**	**Mean**	**SD**
Staff professional competency level	60	3.84	0.688
Emphasis on reduced staff turnover rate	60	4.21	0.713
Staff training and capacity building	60	3.89	0.737
Company management/Leadership	60	4.53	0.513
Cost saving on equipment and materials	60	3.78	0.482
Operational efficiency	60	4.57	0.567
Marketing strategy adopted	60	3.58	0.367
Maintaining Client contact/Relationship	60	4.60	0.678
Government policy	60	4.78	0.506
Overall		**4.19**	**0.666**

Source (Primary data, 2020)

The research findings show that government policy is a leading factor in gaining competitive advantage at a mean of 4.78 and SD of 0.506, followed by maintaining client contact/relationship at a mean of 4.60 and SD of 0.678. Operational efficiency at a mean of 4.57 and SD of 0.567. Company management/leadership at a mean of 4.53 and SD of 0.513. Emphasis on reduced staff turnover rate at a mean of 4.21 and 0.713. The overall mean was at 4.19, which implies that construction companies are influenced to gain competitive advantage at great extent by the listed factors. These findings agree with Porter (1985) that some forms of competitive advantage are not easily imitated, which enables firms to reap enduring benefits. This perception has contributed to the growth of competitive advantage concept from RBV and strategic choices that has led to the advancement of SCA.

4.5.2 Types of Competitive Advantages

The respondents indicated to what level they agreed with the statement identified about types of competitive advantage on a scale of 1-5. The outcomes are as shown in Table 4.11

Table 4.11: Types of Competitive Advantages

Statement	**N**	**Mean**	**SD**
Better product and service quality	60	4.37	0.508
Product and process innovation	60	4.10	0.435
Low cost provider	60	4.26	0.424
Outsourcing of support services	60	4.16	0.456
Diversification of organizational products and services	60	4.26	0.413
Efficient and effective operations	60	4.33	0.423
Overall		**4.24**	**0.456**

Source (Primary data, 2020)

The research findings illustrate that most of the respondents depend on better product and service quality to gain competitive advantage at a mean of 4.37and SD of 0.508, efficient and effective operations at a mean of 4.33 and SD 0.423, diversification of organizational products and services at a mean of 4.26 and SD of 0.413, being a low cost provider at a mean of 4.26 and SD of 0.424. Outsourcing of support services at a mean of 4.16 and SD of 0.456. Lastly, product and process innovation at a mean of 4.10 and SD of 0.435. The overall mean was at 4.15 implying that most construction companies have focused on better product and service quality together with efficient and effective operations to gain competitive advantage. This finding disagree with Mathuiya (2017) that construction companies will focus on product and process innovation compared to better products in the market.

4.6 Correlation Analysis

Correlation analysis was conducted to assist define the connection between independent and dependent variables. It helped in determining the association between organizational strategic choices and competitive advantage in this study. Pearson Correlation analysis was employed by the study to define the interrelation between the study variables. The outcome was as indicated in Table 4.13

Table 4.12: Correlation Analysis

		Competitive Advantage	Strategic Choice
Competitive Advantage	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	60	
Strategic Choice	Pearson Correlation	0.776*	1
	Sig. (2-tailed)	0.002	
	N	60	60

***. Correlation is significant at the 0.05 level**

The findings established the existence of a strong positive correlation between strategic choice and competitive advantage as shown by $r = 0.776$, statistically significant $p = 0.002<0.05$.

4.7 Regression Analysis

Regression analysis refers to a large set of tools designed to look at the relationships between dependent and independent variables. The most common sort is linear regression, which looks at the relationship between one continuous dependent variables and one or more independent variables, which may be continuous or categorical. The objective of regression analysis is to gauge the relationship between a set of independent variables (regressors) and a dependent variable (outcome).

4.7.1 Strategic Choice and Competitive Advantage

The model summary was applied to evaluate the dependent variable variation caused by transformation of the independent variables. The variations of competitive advantage was evaluated by the study.

Table 4.13: Model Summary on Strategic Choice

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.651[a]	0.424	0.419	0.00291

a. Predictor (Constant): Strategic choice

Adjusted R squared, which is the coefficient of determination, defines the level to which the predicted variable is described jointly or uniquely by the predictor component was 0.419 indicating that there was 41.9% variation of competitive advantage attributed to the changes of strategic choice. The remaining 58.1% imply other factors, which lead to competitive advantage, existed and were not captured in the study. R is the correlation coefficient that shows study variables' relationship. The study established a substantial positive relation between the variables being studied from the results as shown by 0.651.

The ANOVA was applied in determining if the data in use by study is significant**.**

Table 4.14: Analysis of Variance on Strategic Choice

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.695	1	14.695	196.561	.001[b]
	Residual	21.531	58	0.075		
	Total	**36.226**	**59**			

Source: (Primary data, 2020)

a. Dependent Variable: competitive advantage
b. Predictor (Constant): strategic choice

The processed data from the ANOVA statistics indicated a significance level of 0.001. Therefore, it can be used to make conclusions regarding the population's parameter, as the value of significance (p-value) is less than 5%. The F calculated was greater than F critical (196.561 > 4.007). This shows strategic choice significantly influence competitive advantage of Kenya's organizations.

Table 4.15: Beta Coefficients on strategic choice

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.132	0.202		5.604	0.002
	Strategic choice	0.428	0.099	0.385	4.323	0.009

a. Dependent Variable: : competitive advantage

The beta coefficient measured the degree of change in competitive advantage in relation to strategic choice.

Y= a + bx + e

Y= Competitive advantage

a = Constant

b = Slope of the line

x = strategic choice

e = Standard Error Term

$Y = 1.132 + 0.428X_1 + 0.099$…………………..…………………………………….. *Equation 1*

The equation above reveals that holding strategic choice constant, the variable will significantly influence competitive advantage of organizations as shown by constant = 1.132. Strategic choice is significant to competitive advantage of organizations in Kenya as shown by ($\beta = 0.428$, $P = 0.009$). This illustrates that strategic choice had significant positive association with competitive advantage of organizations in Kenya. This suggests that a unit growth in strategic choice will lead to growth in competitive advantage construction firms in Kenya.

4.8 Discussions and Findings

The study objectives were to establish the factors that influences strategic choices of indigenous construction companies in Kenya and to determine how the factors that influence a firm's strategic choice affect the firm's competitive advantage among indigenous construction companies in Kenya.

The study revealed that most construction companies do not prefer to hire many permanent staff but rather prefer to hire most staff on contract. This is attributed to lean construction practices by construction companies aimed at saving by cutting down on costs due to the unpredictable nature of their business which deals mainly with projects that are unique, time bound and tasks are implemented in dependency steps whereby completion of one-step allows the start of another step. Through contracting most employees, they are able to engage only staff required at a particular phase of the project to implement specific tasks. Once the task is completed, they are released until the task requiring them comes up again. This agrees with Muhammad (2010) who asserts that most firms adapted by refocusing the business particularly by controlling costs.

The study also revealed that most respondents have worked in the construction sector for over 5 years and assuming that all other factors remaining constant, they are considered familiar with the events in the construction industry concerning the research subject area. Employees who have been in the industry for long were able to give more valid information about the industry and the firms. This is consistent to Akenga and Olang's (2017) assertion that most senior managers in companies have stayed in one industry more than seven years.

The study further revealed that many construction companies have registered in more than one category of specialization under NCA in a bid to diversify their specializations and the services they provide in the industry. This agrees with Nguku (2015) who asserts that diversification can enhance survival of construction companies in Kenya. Lastly, majority of the construction companies have business strategic policy that guides their operations.

It was revealed that most construction companies adopt strategic choice inclined to diversification of products and services, specialization for particular works and cost reduction on products and services. These findings are consistent to Drury (2000) who affirms that managers have been compelled by changes in the business environment to develop and take up strategies that are responsive to maintain their relevance in an industry. The findings further affirms Mutugi (2008) who states that strategy implementation is not possible when a strategic choice demands resource allocations beyond the reach of the firm. Organizational vision and mission are also important elements in strategy selection. Clarity of mission and vision provides a basis on which future strategic choices are likely to be made.

It was also found out that strategic choice is influenced by economic growth rate, public budget for infrastructure development and competition from foreign firms in Kenya. These findings agree with Githige (2011) who stated that various factors influences the choice and use of a strategy in a firm which sometimes tends to force organizations to respond in ways that ensure they remain competitively relevant. Kreidler (2013) who asserts that, the strategic choices typical of firms include perseverance where organizations continue to operate in spite of acutely adverse dynamics further affirms this. It was found out that government policy, maintaining client contact/relationship and operational efficiency are critical factors that influence gains in competitive advantage. These findings agree with Porter (1985) that some forms of competitive advantage are not easily imitated, which enables firms to reap enduring benefits. This perception has contributed to the growth of competitive advantage concept from RBV and strategic choices that has led to the advancement of SCA.

The leading factors according to the study that influenced strategic choices of indigenous construction companies were economic growth rate, public budget for infrastructure development, competition from foreign firms and political situation. On the other hand, the leading factor that influenced gains in competitive advantage was government policies; this implies that government has a significant influence on the industry. This is attributed to the fact that the government is one of the leading customers of the industry through annual spending on development of public infrastructures like transport networks, energy projects and public utilities. Therefore, emphasis should be put on developing government policies that enhance indigenous firms’ capacities to gain competitive advantage. This agrees with Mvubu (2009) who opined that the main obstacles facing contractors include delayed payments and exigent contract conditions.

It was also revealed that better product and service quality, efficient and effective operations and diversification of organizational products and services are the leading types of competitive advantages adopted by firms. This finding disagree with Mathuiya (2017) that construction companies will focus on product and process innovation compared to better products in the market. The findings established the existence of a substantial positive correlation between strategic choice and competitive advantage. The findings agree with Nguku (2015) and Abonda (2017) who revealed that competitive strategies have an influence on the company's performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMEDATIONS

5.1 Introduction

This chapter focuses on the findings obtained through the data analysis as well as the conclusions reached. It also includes the recommendations and suggestions for further research on this subject area. The researcher set out to establish influence of strategic choice on competitive advantage of construction companies in Kenya. From the results of data analysis, the researcher will be able to give a review as to whether this objective has been met or not.

5.2 Summary of the findings

The general objective of this study entailed to examine the influence of strategic choice and competitive advantage among indigenous construction firms in Kenya while the specific objectives were to establish the factors that influences strategic choices of indigenous construction companies in Kenya and to determine how the factors that influence a firm's strategic choice affect the firm's competitive advantage among indigenous construction companies in Kenya. For the objectives set by the researcher to be attained and to address the research problem, a descriptive survey design was utilized in this study. Data was collected using online-distributed questionnaires from which 60 properly filled responses were received. Further, the data was analyzed using SPSS version 20 and the data was analyzed using descriptive and inferential analysis. Measures of central tendency were used to describe the data while correlation analysis was utilized to determine the link between variables.

The study established that most respondents have worked in the construction industry for over 5 years and assuming that all other factors remain constant, they are considered familiar with the events in the construction industry as regards the subject area of the study. Employees who have been in the industry for long tend to provide more valid information about the sector and the firms. On the other hand, it was revealed that most construction companies adopt strategic choice inclined to diversification of products and services, specialization for particular works and cost reduction on products and services. It was also found out that strategic choice influence is due to economic growth rate, public budget on infrastructure development and competition from foreign firms in Kenya. It was also revealed that better product and service quality, efficient and effective operations and diversification of organizational products and services are the leading types of competitive advantage adopted.

The findings demonstrated existence of a strong positive correlation between strategic choice and competitive advantage. Adjusted R squared was 0.419 inferring that 41.9% variation of competitive advantage is due to the changes of strategic choice, the remaining 58.1% imply other factors that lead to competitive advantage existed and were not captured in the study. It was revealed that strategic choice is significant to competitive advantage of organizations in Kenya by ($\beta = 0.428$, $P = 0.009$). This suggests that a unit growth in strategic choice causes growth in competitive advantage construction companies in Kenya.

5.3 Conclusion of the Study

The study finding led the researcher to conclude construction companies adopt strategic choices inclined to diversification of products and services, specialization for particular works and cost reduction on products and services. This is in support of Drury (2000) who affirms that managers have been compelled by changes in the business environment to develop and adopt strategies that are responsive with the aim to maintain their relevance in an industry.

The study concludes further that strategic choice influence is due to economic growth rate, public budget for infrastructure development and competition from foreign firms in Kenya. These findings agree with Githige (2011) who stated that various factors influences the choice and use of a strategy in a firm which sometimes tends to force organizations to respond in ways that ensure they remain competitively relevant. It was found that government policy, maintaining client contact/relationship and operational efficiency are key influencing factors to gain competitive advantage. These findings heavily underscores the government's influence on both factors influencing strategic choice and competitive advantage in the construction sector attributed to the government being one of the leading consumers of the sectors services.

Finally, the study noted that competitive advantage is a continuous journey. Organizations have to continuously scan their external environment, note any change in trends in terms of customer needs and further looking inwards to assess the kind of capabilities it has in order to exploit the opportunities so availed. To do so, an array of dynamic capabilities will need to be employed in order to ensure that a firm's competitiveness is pursued.

5.4 Recommendations

The study has a number of recommendations to a number of areas from theory, practice and policy. To scholars, this study contributes to knowledge creation by linking the connection between strategic choice and their consequent contribution to competitive advantage. Its brings to the core the need for organizations to possess dynamic capabilities which can be harnessed to understand external and internal trends and crafting of strategies which can be applied to ensure long term success. These strategies can achieve the intended goal if proper coordination of all the players is done by applying best practices in strategic choices. The findings of this study formed a basis for carrying out further study.

To the practioner, by reviewing the different practices that have been applied in strategic management and identifying through a learning process what worked and what failed to work, the learnings from such failures can be applied to enhance future competitiveness. In this case, the study was done in different divisions and there are varying stories of success and learning from Technology division, to Strategy team. By also having the team in charge of corporate strategy see from the lens of the other teams, great input on the need to devise better ways of effective support systems in strategic change implementation can be adopted. In addition, the practioner by appreciating best practices can appropriately assign resources to address particular strategic choices utilizing the available expertise.

To the policy makers this study can serve as an input on some of the limitations and challenges the firms in the industry they regulate go through. This would enable responsive policies that support growth of enterprises. For example, by noting the increasing interplay between construction firms and players in the financial sector, adaptive policies can be designed from collaboration between National Construction Authority of Kenya, Kenya Bankers association and relevant construction contractors associations. This can help the government agencies in formulating policies that are a win-win. By so doing regulatory agencies can have insight on the impact of the policies that they enforce and which can enhance economic development as far as the contribution from the construction industry is concerned.

5.5 Limitations of the Study

The challenges faced in the study included; some construction managers failing to fill up the questionnaires because of their busy schedules. However, in such circumstances, the researcher made phone calls to remind them to fill the questionnaires at their free time and made frequent follow-ups as a reminder on this. In other instances, the researcher did not get the construction firms managers and had to request for assistance from the employees. Some employees perceived that they were under investigation and were reluctant to respond to the questionnaires. The researcher however convinced them by assuring the participants that the information they provided will be handled with strict confidentiality and only applied for academic purposes. The letter of introduction from the University also assisted to ease some of these trepidations and overcome the challenge.

Another challenge was to get the appropriate target respondents to take part in the study. The researcher targeted the managers in 87 construction companies to fill the questionnaires. Given the procedure used to administer the questionnaires through email, unintended respondents filled out some questionnaires. Phone call follow-ups to ensure that the appropriate respondents provided the responses were undertaken by the researcher. In some cases, questionnaires had to be sent again to ensure that the appropriate respondents provided the information.

Limitation of time to carry out the research also was a challenge. Considering the research had to be completed within a specific period; at times, this was not favorable to the availability of some respondents. This limitation was overcome by starting the research early in the period set and doing follow ups to ensure that questionnaires were returned back within the set period.

5.6 Recommendations for Further Studies

This study was conducted to evaluate the influence of strategic choices and competitive advantage among construction companies in Nairobi Kenya. The study recommends replication in other industries within the country to enable generalization of the research findings. Additionally, further research to be undertaken on the challenges of adopting strategic choices among construction companies in Kenya.

The research was conducted among indigenous construction companies operating in Kenya and it is therefore suggested that it would be paramount for a similar research to be conducted for other players in the Kenyan construction sector like non-indigineous construction companies, cement manufacturers and construction equipment supplier. This will provide a holistic picture in establishing the factors that influence strategic choices and competitive advantages in the construction sector.

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APPENDIX

Appendix I: Research Questionnaire

The questionnaire aims to determine what factors influence strategic choices made by construction companies in Kenya and how the factors influence their competitive advantage in the industry.

Section I: Your company demographic data

1. Your company name: ____
2. When was your organization started? ________________________________
3. What is your corporate role?
   - Top management role { }
   - Middle management role { }
   - Lower management role { }
4. How many years have you been working in the construction industry?
   - 0 – 4 years { }
   - 5 – 9 years { }
   - 10 – 14 years { }
   - Over 15 years { }
5. What is the number of permanent company's employees?
   - 1 – 100 employees { }
   - 101 – 200 employees { }
   - 201 – 300 employees { }
   - Over 300 employees { }
6. What is the number of contracted company's employees?
   - 1 – 200 employees { }
   - 201 – 400 employees { }
   - 401 – 600 employees { }
   - Over 600 employees { }
7. Category of company registration by National Construction Authority (NCA)?
   - Building works { } NCA——
   - Electrical/Mechanical engineering services { } NCA——
   - Roads, water and other civil works { } NCA ——
8. Does your company have a formally approved business strategic policy?
   - YES { }
   - NO { }
   - DON'T KNOW { }
9. Does your Company continuously conducts internal and external business environmental analysis and review business strategies to cope with environmental dynamics?
   - YES { }
   - NO { }

SECTION II:

10. Kindly tick to what extent each of the following strategic choices apply to your company where: **[1= Not at all; 2= little extent; 3= Moderate extent; 4 = Great extent; 5 = Very great extent]**

Strategic Choice options	1	2	3	4	5
a) Diversification of products and services					
b) Developing new products and services					
c) Specialization for particular type of works					
d) Venturing into alternative businesses					
e) Focus on specific geographical locations					
f) Cost reduction on products/services					
g) Quality enhancement on products/services					

11. Kindly tick to what extent does each of the following factors influence your company's strategic choices? **[1=Not at all, 2=little extent, 3=Moderate extent, 4=Great extent, 5= Very great extent]**

Strategic choice influences	**1**	**2**	**3**	**4**	**5**
a) Political situation in the country					
b) Devolved county Government structure					
c) Economic growth rate					
d) Public budget for infrastructure development					
e) Advancement of construction equipment					
f) Existence of regulatory authorities e.g. NCA					
g) Competition from foreign firms in Kenya					
h) Company leadership/management					
i) Availability of resources					

12. Kindly tick to what extent does your company depend on each of the following factors to gain competitive advantage in the sector, **where [1= Not at all; 2= little extent; 3= Moderate extent; 4 = Great extent; 5 = Very great extent]**

Factors to gain competitive advantage	**1**	**2**	**3**	**4**	**5**
a) Staff professional competency level					
b) Emphasis on reduced staff turnover rate					
c) Staff training and capacity building					
d) Company management/Leadership					
e) Cost saving on equipment and materials					
f) Operational efficiency					

g) Government policies					
h) Marketing strategy adopted					
i) Maintaining Client contact/Relationship					

13. Kindly tick to what extent is each of the following a competitive advantage to your company **where [1= Not at all; 2= little extent; 3= Moderate extent; 4 = Great extent; 5 = Very great extent]**

Types of competitive advantage	**1**	**2**	**3**	**4**	**5**
a) Better product and service quality					
b) Product and process innovation					
c) Low cost provider					
d) Out sourcing of support services					
e) Diversification of organizational products and services					
f) Efficient and effective operations					

Thank you very much for your time.