COMPETITIVE ADVANTAGE AND PERFORMANCE OF REAL ESTATE DEVELOPMENT FIRMS IN NAIROBI CITY

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DECLARATION

This is my original work and has not been submitted for examination to any other academic institution.

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

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ABBREVIATIONS AND ACRONYMS

GoK	-	Government of Kenya
BSC	-	Balanced Score Card
RBV	-	Resource Based View

ABSTRACT

Competitive advantage translates to superior performance of a firm compared to its competitors. It originates from various sources internal to a firm which are either tangible or intangible. Tangible sources include among others human resource, equipment and technology, while intangible sources include business strategies, corporate reputation among others. Competitive advantage positively correlates organizational performance. This study therefore sought to establish the influence of competitive advantage on the performance of the real estate development firms in Nairobi city. The study also aimed at establishing the link between competitive advantage and the performance of firms in the real estate development industry in Nairobi. Specific objectives were to determine the derivation of competitive advantage of companies and to determine the impact of the sources of competitive advantage employed on performance. The study adopted cost leadership, differentiation, focus and organizational performance as the key variables of the study. This study adopted descriptive design since it provides an in-depth view of the subject of a study. The population of the study was sixty five registered real estate development firms based in Nairobi city. Questionnaires were administered to the respondent firms while statistical data analysis software (SPSS) was used to analyse data while the response rate was 74 %. The study findings indicated that 18.75% of the respondents had operated for a period below 5 years, 39.58 % operated for between 5 - 9 years while 41.67% had operated for more than 10 years. Regarding size of the firms their turnover ranged from Ksh. 100 million – 1 billion. with staff size of 10 – 50 workers. Regarding sources of competitive advantage it was revealed that differentiation strategy was the most prominent source of competitiveness adopted at high extent (M=3.66, SD=1.078) operationalized through favourable corporate reputation (M= 3.81, SD =0.942), research and development expenditure for innovation (M =3.60, SD =1.120) and provision of customised services (M =3.57, SD =1.172).Focus strategy was adopted by firms at moderate extent (M=3.25, SD=1.074) operationalized through search for cost advantage (M=3.71, SD= 0.078), targeting a niche market (M= 3.63, SD= 1.026) and focusing on the premium pricing (M= 2.42, SD =1.117).Cost leadership strategy was found to deliver more customer value adopted at moderate extent(Mean=3.19, SD=0.891) Regarding influence of competitive advantage on the firms performance, majority of the firms stated that their performance was exceptional 11 (22.9%), 31 (64.6%) of the firms indicated that their performance was fair while 6 (12.5%) registered poor performance. Regarding performance indicators it was established that profitability, market share and customer satisfaction were excellent with a mean score of (M=3.65; SD=1.133), (M=3.64; SD= 1.087) and (M= 3.63; SD= 0.927) respectively. However, innovations were least with a mean score of (M=2.05; SD = 0.896).The study established presence of a significant influence of competitive advantage on firms performance as established by the high mean scores that have registered by the key performance indicators that can be attributed to three sources of competitive advantage that the firms employed..

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Today's globalization era, characterised by rapid economic changes and aggressive competition, has presented serious challenges to the growth and survival of business organisations globally. Competitive advantage has been touted to be the exclusive frontier for organisations' ability to appropriately respond to the environmental challenges and to align their operations to their strategic direction (Utarayanal,2021). Since competitive advantage shapes opportunities for productivity, sustainability and survivability of firms, nations and regions need to consider their competitiveness as the key driver for their growth and survival (Ertugan, 2021). Porter (1985) as cited by Nurova and Freze, (2021) avered the capability at delivering customer value is the foundation upon which competitive advantage which is a distinctive edge a firm has over competitors originates It is about the ability to generate value to its customers that exceeds the price of creating it.

Various studies show the association amid competitive advantage plus performance. establishes that there is existence of a direct/constructive connection amongst a company's competitive advantage plus performance. The competitive benefit of an enterprise is its foundation for attaining enhanced performance. According to (Mitra, 2021) competitive advantage directly and positively correlates with organisational performance since it since it acts as the basis for the formulation of business strategies for the realization of sustainable growth and superior performance that is driven by three basic approaches; cost leadership, differentiation, plus focus which enhances ability to command dominance in the market (Cheraghalizadeh & Tumer, 2021)

Competitive advantage originating from internal resources for instance technology and skilled manpower helps firms to realise efficient operations that reduce waste. This way costs will be reduced resulting to Low prices that helps firms command large market shares. (NOOR, 2021).Superior Quality stemming from innovation results from superior technology, and skilled human resource yields uniqueness in output that differentiates the firm from the rest in the market. Differentiation significantly yields competitive advantage from customers' derived value from products they buy, which keeps away competition. This means the cost of fighting aggressive competition is reduced resulting to higher profit margins and higher returns. (Duan, 2021)

This research project relies on the resource-based view (RBV) philosophy, open systems theory plus competitive advantage model. Resource Based View theory by Wernerfelt (1984) stipulates that organizational capacity defined by the resources at its disposal are the key determinants of performance. RBV philosophy is pertinent in the exploration because the efficiency and effectiveness of the firms in this study depends on building equipment, building materials logistics and skilled personnel. The open systems theory by Von Bertalanffy (1967) is relevant in this study since the operations of the study firms is fundamentally based on a set of economic, technological, legislative, and social factors. Lawrence and Lorsch in 1967 established that a firm's interaction with its external environment is a prerequisite for its ability to sustain its operations. The competitive advantage theory was developed by Porter (1985) stipulates that business should seek out for policies that promote the provision of high-quality goods and services that fetch high market prices (Išoraitė, 2018). The philosophy stands out significant to the research since it proposes that for the organizations to survive in the market they need to adopt factors that enable them to have a competitive advantage.

The global real estate market has experienced an upwards trend as from the year 2000 until 2019. The real estate sector experience aggressive competition due to new entrants every day coupled and rising number of buyers. The global market is expected to grow from $2.7 trillion in 2020 to 3.7 trillion in 2021 (PWC, 2020). In Kenya, the sector has been characterized by an upward and a downward trend. The upward trend was experienced in the early 2000 to 2018, while from 2019 it experienced a decline. This is further aggregated by the reduced purchasing power of the middle class, attributable to the global economic downturn being experienced. As a result, the demand for already completed commercial and residential developments remain seriously diminished (KPDA, 2020). Accordingly, real estate developers need to explore ways to gain an edge over the rest to improve market share, increase turnover, profit growth and increase return on their investments as well as survive.

1.1.1 Competitive Advantage

Dirisu (2013) defined competitive advantage as the factors that help organizations realize high quality outputs, more cost effectively than competitors. The said elements are the key drivers of organizations' capacity to generate more sales or higher profit margins than their competitors in the market. Competitive advantage points to the enhanced rate of attractiveness possessed by a firm to its customers in comparison to its competitors Soloducho-Pelc (2014). The competitive advantage is attained when firms offer improved products and services to clients as compared to those offered by competitors. Sigalas (2015) defines competitive advantage as the features of specific product and service markets that place firms in a strong competitive position than that of their competitors. Competitive advantage is defined by Hosseini (2018) as the flexibility and sustainability of firms to cope with uncertainties in the market and still maintain a high competitive position.

Competitive advantage is the distinctive edge a firm has over competitors in the market that fundamentally stems from the capability of an entity to generate worth to the customers surpassing the price of creating it (Ceglińsk, 2017). It is key to organisation's performance and is an interaction amongst the forms of competitive benefit plus originates from the internal resources at the disposal of an organisation. According to Muhammad Asad Khan, (2019) firms achieve competitive advantage when they offer customers products that yield more value than what the competitors offer hence providing barriers that make imitating a firm's operations or products difficult which safeguards the market share, profit and returns.

Competitive advantage can be developed through a blend of factors that drive an organization's capability in the manufacture of goods or services more efficiently or more economically than its competitors which helps organizations realize a growth in sales volume and better profit margins than competition. It grows from the value a firm build for its customers that exceeds the costs of creating it Mayende and Joseph (2020).

According to Muhammad (2019) firms achieve competitive advantage relative to their competitors by offering a range of products or services perceived by customers to yield more value and benefits than that offered by competitors. Organisations also realise competitive advantage through innovation that drives uniqueness through new product designs, efficient based production processes, and cost-effective marketing approaches. As a strategy therefore innovation develops competitive advantage by identifying a niche or by selling into an existing market segment that has been ignored by competitors because when competitors are slow in responding, innovation is a source of competitive advantage as stated by Porter, (1990).

According to George (2016) competitive advantage needs to be sustainable. It derives from a long-term strategy that derives from three popular generic approaches namely, cost leadership, differentiation, and focus. Differentiation approach is about uniqueness, through developing unique products, more cost effectively, delivered through unique customer focused marketing strategies, efficient and reliable distribution channels at low prices. The idea is to have the concerned organisation stand out in the market.

1.1.2 Organizational Performance

Firm performance is a significant factor that concerns the effectiveness of an organization in attaining its set goals (Almatrooshi et al., 2016). The organizational performance factor is an indicator of organizational success or failure towards attaining desired goals. Elena-Iuliana & Maria (2016) on the other hand, equate firm performance to aspects of the effectiveness and efficiency of a company in attaining quality and reaching its goals. The organizational performance concept is also defined by (Rehman, 2019). as the success of an organization which is obtained from enhanced employee [performance and competency in leadership. Organizations are constantly in a quest of improving their performance or maintaining high level performance in order to thrive in the market.

Organizational performance can be assessed through non-financial and financial metrics. Hoque (2014) states that the balanced score card (BSC) is the new way of measuring performance that balances the customer interests, internal processes, innovation, financial metrics, and organizational learning and growth. Mustafa (2012) noted financial measures to include assessment of profit, while non-financial measures include employee performance and perception of employees on organizational performance (Odhiambo, 2016). Singh et al. (2016) stipulates that objective and subjective measures can be employed in measuring organizational performance. Objective measurement entails the utilization of accounting data to determine organizational performance. Subjective measures on the other hand, entail the managers' perceptions on their organizational performance. Assessment of organizational sales revenue, profitability, market share, innovation aid in the measurement of organizational performance to ascertain whether the desired goals have been achieved.

1.1.3 The Real Estate Development Industry in Kenya

The real estate developers in Kenya operate under the umbrella of the Kenya Property Developers Association (KPDA). There are 66 members in good standing in the association. The developers fall under two categories the platinum members and corporate members (KPDA, 2020). The real estate development industry in Kenya has realised a boom that started in the early 2000's due to the property market response to increased demand. In 2019 a decline in the rate of growth of the real estate sector was witnessed with a similar deceleration being felt across various sectors of the economy compared to 2018 (Cytonn, 2020). The continued downward trend in growth in 2019 from 2018 attributable to the repeat 2017 presidential election attributed to repeat presidential elections.

The real estate sector stunted growth in 2019 was among the major outcomes of a decline in economic growth coupled with the credit crunch resulting from interest capping law which significantly affected the real estate sector which is heavily dependent on availability of financing both for individuals and the corporate (Cytonn, 2020a). The hard-financial times hence affected developers of commercial retail and high-end residential properties, who were heavily affected due to low demand and oversupply in the market. Competition from online retailers who do not rent, or own brick and mortar outlets is unprecedented and continues to challenge mall owners who must be very innovative to attract and retain tenants; as well as attract customers in their establishments. Their huge numbers and proximity have led to many remaining vacant.

Despite the 2018 and 2019 spill-over effects of decelerated economic growth, into 2020 that affected the real estate sector, opportunities for investment are available to developers provided they identify areas for investment (Cayton, 2020a). For instance, the GoK Medium Term Plan (MTP) of vision 2030 (2018 – 2022) is likely to spur growth in the real estate sector. This plan expects investors to shift their focus and align their investment portfolio to realise benefits from the MTP. The ‘Big Four’ is an MTP strategy aiming at increasing the percentage of manufacturing contribution to the national income

(GDP), providing affordable housing, food and nutritional security and universal health cover. The big four agenda item - provision of affordable housing - presents open opportunities for real estate developers in alignment to the MTP (Harrison & Mathews, 2020).

1.2 Research Problem

Competitive advantage entails firms employing competitive strategies in an effort of overcoming tough competition in the market. Competitive strategies employed aid in the attainment of a competitive benefit of a enterprise which later translate to enhanced organizational performance (Nyaga,2015). Establishing good customer relationship and provision of quality service are an outlet of competitive advantage that allow organizations to improve on their performance and thus survive in the face of ever-increasing competition. Potjanajaruwit (2018) establishes that strategies of attaining competitive advantage such as inter-organizational collaboration and technological capability have a direct plus crucial positive impact on company performance through cost-reduction plus value addition. Competitive advantages arise from a variety of features such as cost structure, quality of products, distribution network, brand name, intellectual property, and quality of customer service (Twin, 2020).

The selection of the real estate sector for this inquiry thrives on the fact that, the sector is among the fastest rising markets in Kenya (Cytonn, 2020a). There is continuous launching of affordable housing projects in the country by investors who are in a quest to attract more clients in an effort of attaining more profits and surviving in the dynamic business world. The real estate sector is also a great contributor to Kenya's Gross

Domestic Product, for instance, in 2019, the sector made a 7% contribution to Kenya's Gross Domestic Product (Globe Newswire, 2021).

Momayo (2018) views competitive advantage as fundamentally stemming from a firm's ability to deliver customers' value more cost effectively compared to the competitors within the market. According to John (2016) superior performance positively correlates with competitive advantage and an achievement of competitive advantage automatically results to higher performance. Majeed (2011) also concurs that in all organisations competitive advantage and performance positively correlates. These advantages lead firms towards realizing sustained high profits (Mukhezakule, 2019).

Numerous studies on competitive advantage and organisational performance have been done. Mukhezakule and Tefara (2019) did a study on association among business policy, tactical management plus maintainable firm performance a proposed conceptual framework for the Aviation industry of South Africa. The researchers argued that while competitive advantage derives from internal resources, deployment of these resources needs to be aligned with the business vision with a working strategy. Kalonti and Kumar (2020) explored the sources of maintainable competitive benefit. The inquiry recognized that innovation is the best source of competitive advantage. Sungmin Kang (2020) conducted a study on impact of strategies attributes for maintainable competitive advantage in sharing economic business on establishing some common worth plus performance, in Korea. The study found out that business performance always varies depending on the design and execution of the strategy management deploys concerning competitive advantage. The study emphasises on innovation as the driver of competitive advantage and operational performance cannot be gain said. Zainol and Al Mamun (2018) scrutinised the power of commercial proficiencies on competitive benefit on the performance of women micro-entrepreneurs in Malaysia. The research results show that entrepreneurial competency positively impacts on competitive advantage, and competitive advantage has a substantial influence on micro enterprise performance.

Buul (2017) conducted a study that examined aspects of competitive approaches and performance with a focus on medium and small enterprises in Nairobi. The inquiry established positive and significant influence by cost leadership, differentiation, market focus plus strategic association on SME performance. Njoroge (2017) conducted a study on the contribution of competitive approaches to the performance of Strathmore University in Kenya. The inquiry aimed at exploring the effect of competitive strategies including differentiation, cost leadership, and focussed strategy on the performance of Strathmore University. The inquiry found out that while cost leadership was not adopted, differentiation plus focus were widely adopted and significantly influenced the institution’s performance. Wanjiru et al., (2019) explored the Intervening Effect of Competitive Advantage plus Corporate Strategies and Performance correlation of the Manufacturers in Nairobi. The study indicated that competitive edge had an intervening impact in the association between corporate approaches besides performance of manufacturers in Nairobi.

The studies alluded to in this study have focused on innovation, resources, leadership that drives strategy formulation and implementation. In the Kenyan economic environment, cost driven by efficiency is the primary source of competitiveness. This has not been exhaustively articulated in the studies. In addition, the expected benefits of innovation in terms of cost reduction and in price sensitive real estate market in Kenya is lacking. In addition, effective management of the supply chains affecting the industry projects that are the sources of waste and has not been captured. This research paper therefore seeks to explore and provide an understanding of the role of competitive advantage on real estate development firms' performance in Nairobi.

1.3 Objectives of the Study

1.3.1 General Objective

To establish the link between competitive advantage and performance of Nairobi-based real estate development firms.

1.3.2 Specific Objective

i) To determine the sources of competitive advantage of the real estate development companies in Nairobi.

ii) To determine the impact of the sources of competitive advantage employed on performance.

1.4 Value of the Study

The exploration outcomes would be insightful to the real estate developers in gaining enlightenment concerning the appropriate strategies to adopt to improve profitability and returns and ensure their long-term competitiveness in the prevailing depressed economic environment and aggressive competition in Kenya.

The research findings are expected to provide insight to the other participants in the real estate industry in Kenya on the dynamics in the industry, challenges present, risks, and the strategies to adopt to drive their returns and ensure that they remain competitive in the long run.

The study findings would help financial institutions lending to developers understands the challenges facing various real estate developers and their individual risk profile. This would help them develop accurate lending policies to reduce default rates on loans to developers. The findings of the study would provide empirical literature for future researchers in academia in either development of theories or as the premise for future research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section reviewed studies done by other academics on competitive advantage and how it relates to organisational performance. It critiqued the theories upon which the study is anchored and emphasizes the competitive advantage drivers, competitive strategies, and the organisational performance measurement matrix. The conceptual argument was finally summarised in a conceptual framework.

2.2 Theoretical Foundation

This component of the literature review examined the theoretical elements utilized regarding studies on competitive advantage and organisational performance. It explored the existing theories and their relevance in the study and the general propositions to be emanating from and supported by evidence or data.

2.2.1 Resource Based View

In the studies concerning management theories, Wernerflet (1984) resource-based view theory has been heavily cited and regarded as significantly influential. The theory seeks to describe an organization's internal sources of sustained competitive advantage (Nason & Wiklud, 2018). In a logical way it provides an explanation of growth of a firm by expounding the causal association existing between a firm resource and its performance. The main concern of the scholar has been on innovative and efficient utilization of firms' resources. The contention of the scholar is that a firm productive resource can be improved significantly in an industry that is fundamentally heterogeneous, with every player having distinct competitive advantages that distinguish them.

The resource-based theory was formulated through the work of Wernefelt (1984). The theory stipulates that, valuable resources that are difficult to imitate and rare, place a firm in a position of attaining long-term success (Ardaneswari et al., 2020). The applicability of the theory to the inquiry rests on its proposal that a business's enhanced performance and success is attained when the firm employs uniqueness in attaining long-term success in the market. Competitive advantage of firms can be achieved when the firms employ valuable and resources in their production process since unique products and services are attained. Competitive advantage attained from the firms translates into enhanced performance and success (Nason & Wiklud, 2018).

The resource-based view theory has been critiqued due to its limitations that comprise limited applicability of the theory, the theory lacks managerial implications, resource value cannot be determined, the theory suggest infinite regress and inability of attaining sustained competitive advantage (Shaffey, 2014). To cater for the limitations of the theory, the theory has been modified to enhance its effectiveness. Otola et al. (2013) has integrated the concept of strategic management in the theory. Strategic management in the resource-based view entails three concepts: dynamic processes of creation, renewal, integration, relations through alliances, agreements, and partnership and the third is financial, physical and human resources.

2.2.2 Open System Theory

The traditional philosophies viewed establishments as closed schemes as independent and secluded from the world. Scholars and researchers in the new order embraced the open systems view of firms being cognisant of the fact that the external environment of firms has significant influence on their efficiency. The open systems view holds assumptions that all organizations are unique, and their structural framework should accommodate unique opportunities and threats. Open systems are the external environmental factors which are either general or specific. Specific environmental factors relate to the supply chains, government agencies and rival firms with which a firm interacts. (Chikere, 2015). The advocates of this theory aver that as organisations operate, they are affected by the changes in their external environment (Aggraen, 2017). For a firm to be successful therefore, it must continuously interact and adapt to the dynamic external environment. This can be clarified through the fact that firms are environment dependent and serving. To sustain competitiveness, it is imperative for them to establish a fit with the environment (Njoroge, et al, 2016).

The scholars argued for an interaction to draw the resources necessary for improved and sustained performance. Towards this end, Tsuja (2013) reasoned that organizations compete for the sparse resources that are essential for their survival and only organizations that are adaptive to the immediate environment will avoid closing.

The open system theory was formulated by Von Bertanlanffy (1965). The theory is based on the concept that; organizations or firms are impacted by their environment (Lai & Huili, 2017). The environment of the organizations firms comprises other firms which exert political, economic, and social forces on these firms. Lawrence and Lorsch (1967) established that a firm’s interaction with its external environment is a prerequisite for its ability to sustain its operations. Such a firm should be permeable by having bounder less interaction with its environment to be highly adaptive to the external environmental changes unlike the closed systems.

The theory of open systems is relevant to this study; it stipulates that the environment of organizations is influenced by other organizations around it. The real estate sector comprises many firms which conducted the business. The firms influence each other through creation of competition. The incorporation of competitive advantage strategies is important to enable firms to attract and retain their clients so as to survive longer in the market.

The open systems theory has its weaknesses and has thus been criticized due to the limitations. The theory is limited since it stipulates that all variables exert equal impact and control in the underlying conditions of the business environment (Cohoon & Howison, 2021). The stipulation of the theory is not accurate since in the actual sense, some variables exert greater control and impact over others in the business environment. In an effort towards addressing the limitations of the theory, Sundarasaradula and Hasan (2004) have developed a unified open system model to aid in explaining organizational change. The model incorporates both the dissipative systems model and the traditional open systems model to aid in the clear comprehension of process of organisational change in order to ensure achievement of organizational success.

2.2.3 Competitive Advantage Theory

The theory of competitive advantage, coined by Michel Porter in 1985 stipulates that business should seek out for policies that promote the provision of high-quality goods and services that fetch high market prices (Išoraitė, 2018). The competitive advantage is an aspect that makes one business entity better than others in the similar marketplace. The competitive benefit of a business over similar business is influenced by the following factors: innovation, technology, infrastructure, and efficiency. The theory is applicable to the enquiry since it proposes that for the real estate developers to survive, there is a need to espose factors that enable them to have a competitive advantage. The competitive factors comprise current technological advancements, efficient service delivery and affordability.

The competitive advantage theory has been criticized for its limitations which have rendered to be ineffective. The competitive advantage theory is limited since it cannot explain the variation in the performance of an industry (Vaccaro, 2009). Under the theory of competitive advantage, firms cannot acquire sustainable competitive advantage over others since they make omission and commission errors. To address the limitations of the theory, the competitive advantage theory has been modified in an effort of enhancing its effectiveness. Braslina et al. (2014) has formulated the innovative competitive advantage determination model. The model inspects approaches of competitive advantage, evaluates them, and determines competitive advantage opportunities.

The theory is appropriate for the study since it stipulates that competitive advantage is an aspect that makes one business entity performs better than others in the business environment. The study is based on the real estate sector in Kenya and the competitive advantage strategies that enhance performance of companies in this sector. The real estate division in Kenya is highly competitive and more players are also entering the market each day. To ensure survival of the players in the business they have to develop competitive advantages strategies that make them better than others in the same sector. The competitive advantage theory thus aids in explaining how competitive advantages of firms in the real estate sector in Kenya enhances their performance.

2.3 Competitive Advantage and Organizational Performance

Competitive advantage implies superiority over rival firms that results from presenting consumers with better value either through setting low prices or provision of enhanced benefits that validate higher price offers (Porter, 1985, as cited by Majeed, 2011). The 1985 Porter's work therefore suggests that where a firm can produce its products at a cost lower than competitors, it is one way of gaining competitive advantage (Wahid et al, 2015).

Cetinkaya et al (2020) states that when an organization makes higher profit relative to competitors, then it has market competitiveness. It is apparent that competitive advantage occurs when an organisation delivers customers more value than competitors or offers lower prices for the same value (Mayende et al., 2020), resulting to superior performance in terms of higher profits, market share or increased returns (Kang and Kue Na, 2020).

The main goal of a firm is to strive to achieve sustainable competitive advantage and enhancement of an organization's performance compared to competitors. To attain sustainable competitive advantage, organizations need to establish the link between their strengths plus faults and their influence on their competitive advantage and performance to achieve a fit amid their outside setting besides their interior environment to achieve strategy; environment alignment (Darid, 2019).

Cornell and Jude (2015) argue that building competitive advantage results from improving value to the buyers. Customer value addition results from cost leadership meaning delivering better products at a lower price than rivals or through differentiation. Cost leadership stems from effective cost reduction strategies that provide a strategic advantage over competition while differentiation and focus are driven by innovation (Deffillip, 2012).

Organizational performance would imply some performance indicators that are measured against some predetermined indicators (Copers, 2014). The predetermined indicators serve the purpose of comparing the present as well as constant performance in contrast to the over-arching firm goals that would ideally are the indices to determine the desired performance level. According to Gavrea (2007) the most common measurements of performance that will be used are financial indicators like return on investments and profits.

Organizational performance is subject to several factors namely manager's charisma, human resources, organizational learning and continuous improvement, performance measurement, corporate governance, as well as innovation (Al-Tit, 2017). Mafini (2015) postulates that three key input variables - inter-organizational information systems, service and product quality, and innovativeness are the main factors with substantial influence on a firm's performance. Quality emphasized in the entire organizations' systems and processes is regarded as an influence on output. The adoption of the total quality management (TQM) philosophy therefore enables entities to improve value, to improve organizational effectiveness and flexibility leading to low costs and differentiation, which are the sources of competitive advantage.

2.5 Empirical Review

There have been several explorations of the aspect of competitive advantage and performance. Internationally, Al-alak (2014) focused on endeavouring to achieve competitive advantage plus firm performance by way of innovation plus market diversity as well as customer orientation, the study surveyed 16 Jordanian banks hence a census. Questionnaires were utilized in the descriptive enquiry to obtain data. The study utilized structured equations models and confirmatory factor analysis in the scrutiny of the results. The study outcomes indicated that customer orientation positively contributed to enhanced performance through driving uniqueness through differentiation both innovation and market. The study further indicated that innovation differentiation influences organizational performance more than market differentiation. This study was undertaken in a varying environment in which the firms operated, and thus the findings are not generalizable in this study.

Mafini (2015) did a study on prediction of organizational performance by way of innovation, quality, and inter-organizational systems in South Africa. The study was quantitative in nature and used the survey method. Results were obtained through questionnaires. Data analysis involved both descriptive and non-parametric statistics. The Spearman’s rho was employed in measuring the intensity of the connections. The extent to which the input factors predicted organisational performance was determined using regression analysis. Spearman's correlations output showed a solid positive correlation between organisational performance plus the factors of the inquiry. Regression analysis revealed the capability of factors predicting organisational performance. Since the environment of business organisations is dynamic, these findings are likely to be inapplicable in current environment. The findings cannot be generalizable in this study due to the long time the exploration took place. In addition, the public sector faces different challenges from the private sector in which the real estate development firms operate. The finding therefore cannot be generalised to the private sector.

Altit (2017) evaluated the factors affecting the organizational performance of manufacturing organizations in Jordan. The study was a descriptive survey with a population of 123. Data collection was done using questionnaires. The study used inferential statistics and found that supply chain practices significantly influenced operational performance. The context of the study differs from that for this study. The finding cannot be adopted in the Kenyan Situation. Himme (2018) sought to explore the vital factors that drive strategic cost reduction. A sample 131 was randomly created comprising chief accounts of German small, medium, and large size companies that were engaged in projects focusing on strategic cost reduction. Structural equation modelling was employed to derive the results The outcomes exhibited that firms that always focus on cost reduction, top management dedication, and involvement are important for organisational success in cost reduction initiatives. This study focused on cost reduction strategy and the factors leading to cost reduction. The findings focused on the traditional school of thought. It has not resonated with the new paradigm of cost reduction namely innovations, technology, and the quality philosophy. The findings cannot be generalised into the current study that focuses more on waste reduction through technology and innovation.

Kang and Kue Na (2020) conducted a study in Korea on the effect of approach attributes for sustained competitive advantage in shared economy companies on establishment of common worth plus performance. Descriptive research design was utilized and a sample of 135 businesses randomly selected. Questionnaires were directed to the respondents while the information was examined by means of SPSS. An AMOS statistical packages to test reliability plus validity of data. The study found a strong influence of information sharing on strategy congruence and positively influences performance. The context of the study is different from this study context, hence cannot be generalised for this study.

Mukhezakule and Tefera (2019) sought to establish corporate strategy, strategic leadership, plus sustainable company performance linkage: a proposed conceptual framework for the South African aviation industry. The inquiry adopted descriptive design and focused on 10 air lines in South Africa and therefore conducted a census. Descriptive statistics were adopted to scrutinize the statistics. The inquiry indicates the existence of strong positive correlation between strategic leadership, corporate strategy, and sustained organizational performance. This study focuses on the aviation industry and hence cannot be generalized in this study.

Kaleka and Morgan (2017) did a study on competitive advantage and market performance relationship in international markets. It was a qualitative research using interview guide to collect data. Content analysis was employed to analyze data. Price advantage was found to affect market performance positively and directly, while service is found to have a strong positive effect. These findings were performed in UK for the international markets. This environment radically differs from the Kenya situation hence the findings of this study do not apply in the local situation.

Leronzo et al (2018) sought to establish the relationships between firm's competitive strategy, their resources and capabilities and analysis of their capabilities from technology and management with organizational performance. The study adopted descriptive design. A sample of 339 randomly selected wine sector firms in Spain were studied. In data analysis the researcher adopted descriptive statistics. The results indicated that resources capabilities and strategies influence organizational competitive advantage, their correlation and importance differ from company to company depending on type of each.

Munyoki and K'obonyo (2015) performed a study seeking to understand the role of organizational autonomy and strategic positioning as it relates to competitive strategies and performance of State Corporations in Kenya. Descriptive cross-sectional census survey on a population of 107 national companies in Kenya was adopted. Primary plus secondary information was utilized. Primary information was acquired over sending email questionnaires to the Chief Executive Officers of the companies. In statistics examination, descriptive as well as inferential data were adopted. Study findings indicated mean score that was moderate for costs leadership, an indication that respondents rated cost leadership as adequate for the State Corporations in Kenya. Those that emphasised operational efficiency carried the highest mean score followed by those that emphasised on controlling of time. The conclusions of the study were that competitive strategies significantly influenced organisational operational performances. Since the study was done in a different context from this study, these findings are not generalizable in this study.

Soko (2015) conducted a study on the factors making universities gain competitive advantage in Kenya. The study was an exploratory qualitative study. The respondents from 17 universities were 378. Questionnaires were distributed to students as well as faculty. Statistics were scrutinised by thematic analysis. The findings of the inquiry were indicated as, about quality, universities improved quality from five areas: research, staff focus, student focus, governance, and planning. Regarding sources of competitive advantage four sources indicated, strong brand name, research, teaching methodology and learning environment. This study focused on services sector. The challenges facing the service sector are different from that facing the firms in this study.

Nyambane (2018) piloted an exploration of competitive edge and operational performance of the Kenyan heavy construction equipment suppliers: a case of Nairobi County. A descriptive research design was utilized where six heavy construction equipment suppliers were picked based in Nairobi County. Technical and marketing department's staff comprised the study population adding up to 138. A census was used where Semi-structured questionnaires for data collection was used. Drop and pick method was used. Statistical software SPSS was adopted for descriptive data analysis while inferential figures presented by tables, charts, plus graphs. The findings established that the organizations regarded pricing as the best strategy to drive competitiveness. Product quality and the network of agency distributors significantly affected performance of the suppliers of heavy construction equipment. The stakeholder's relationships had direct and substantial influence on performance of the businesses considered in the inquiry. The exploration concentrated on the competitive strategies only. This study focus was on competitive advantages sources influencing organizational performance. The suppliers and developers are faced by different environmental forces since the study was on suppliers. This study focuses on the developers. The study findings are not generalizable in this study.

Nyagah (2015) researched on power of competitive approaches on the performance of Express Connections Limited in Kenya. A case study approach was adopted. Primary and secondary data were utilized. The inquiry utilized Interview guide to obtain primary data while financial reports and other publications at the firm were the sources of secondary data. Content analysis was employed for data analysis. The study found that standard pricing was used fluctuating with the timings, peak and off peak, standard was used to segment the routes and for fleet identification. It was concluded that service worth plus client relationships were most influential competitive strategies utilized by the organization. This study was a case study and cannot be generalised in this study.

Buul (2017) did a study on a scrutiny of competitive approaches and performance of small as well as medium enterprises in Kenya in Nairobi. Descriptive correlation design was used primary data used was collected by questionnaires targeting 4,560 SMEs in Nairobi Central business district. SPSS (V.20) was used in data analysis. Descriptive statistics were employed to define the collected data features. Pearson's Correlation, Analysis of variance (ANOVA) and Multiple Regression Analysis were utilized in establishing the study variables associations. The inquiry established positive and significant influence by cost leadership, differentiation, market focus plus strategic alliance on SME performance. This study was focused on SMEs. The finding cannot be generalized in the real estate industry since they serve different markets.

Wanjiru et al, (2019) conducted an inquiry to determine the Intervening Effect of Competitive Advantage and Corporate Strategies and Performance correlation of the Manufacturers in Nairobi. The study used a sample of 189 large manufacturers located in Nairobi. Semi-structured questionnaires were used in collecting primary data, descriptive and inferential statistics were utilized in data examination. The research indicated that competitive edge had an intervening impact in the association between corporate strategies plus performance of manufacturers in Nairobi. The study involved the manufacturing sector whose challenges, the market and strategies are unique to the firms in this study.

A study on effects of strategic capability on competitive edge of information technology firms in Nairobi was performed by Deya,(2019). Descriptive research design was employed with a population of the study comprising 143 ICT firm owners of in Nairobi. Census survey was adopted due to the small population size. A 5-point Likert scale questionnaire was adopted in collecting information. The study established existence of positive and significant influence on competitive advantage between financial resource capacity, knowledge management capacity and cost efficiency capability of ICT firms in Nairobi. It also established existence of an inverse relationship between human resource capability and competitive advantage of ICT firms in Nairobi. This study exclusively focused on internal competencies and cost focus. Though it is generalizable in this study it did not establish the influence of the external environment of the ICT firms on their strategy choice and results.

A study was conducted by Njuguna (2012) focused on the role of organizational learning, competitive advantage, and organizational operational performance: An Empirical Study of Kenyan SMEs the Manufacturers. The study targeted all 112 SMEs in food and beverage sub-sector entities that constitute 21%of all firms in the manufacturing sector that were targeted. A two-stage sampling was carried out. Questionnaires employed in data collection. Multivariate statistical tools and Structural equation modelling were utilized in the examination of outcomes. The outcomes of the inquiry indicated that organizational learning directly and indirectly influences SMEs performance. Organizational learning and continuous improvement are not a static research construct. This study lacks longitudinal data that would have facilitated a drawing of more far-reaching study conclusions.

2.6 Conceptual Framework

Figure 2.1 presents a conceptual framework indicating the relationship of the variables of the study.

Independent Variable

<u>Sources of Competitive advantage</u>

Cost leadership

-Competitive market prices

-Economies of scale & learning curve.

-Low-cost inputs

Differentiation

-R&D Expenditure

-Corporate reputation

-Customised service

Focus

-Niche Marketing

-Segmentation (cost advantage & premium pricing)

Dependent variable

<u>Organisational performance</u>

Profitability

Market share

Customer satisfaction

Innovation

Figure 2.1: Conceptual Framework

Source: Researcher (2021)

From figure 2.1 it is discernable that the three porter's generic strategies cost leadership, differentiation and focus are the key sources of competitive advantage and correlate directly with organizational performance. Operationalization of the study variables was as follows, cost leadership is derived from competitive market prices, economies of scale and learning curve and low-cost inputs. On the other hand differentiation stems from investment in research and development, a good corporate image that builds goodwill which results to favourable supply chains partnerships and customer loyalty and from custom made products that are tailor made to meet distinct customer preferences and tastes. This enhances customer satisfaction, reinforces customer loyalty that leads to a significant competitive edge relative to the competitors in the market.

The focus strategy advocates for niche marketing and market segmentation. Niche marketing requires a firm to focus on only one target market rather than sell to everyone. This way, a firm is able to entrench brand loyalty, spend less on marketing and experience less competition and hence earn higher profits. On the hand by segmenting a market it enables a firm to identify the best market segments to serve cost effectively such that it is able to iimprove brand loyalty streamline mass customization as well as optimizing cost efficiency.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section covered the study methodology which is defined as the process that entails the steps that were employed in the study. According to Saunders et al,(2019) research methodology is a set of steps and procedures for collecting ,cleaning and analysing data in a research study. These steps provide a detailed definition of how the study was conducted. According to Bryman(2012) a research methodology comprises of research design, population of the study, sampling design, data collection methods and data analysis method used in a study. The section covers the study design, the research population, methods of data acquisition, the method of data examination plus presentation used in this inquiry.

3.2 Research Design

The research design means the strategy determined by researchers seeking to combine the study components coherently and logically. This ensures that the study problem is adequately addressed. It is also referred to as the plan for collecting, measuring and analysis of data (Bryman, 2012).This study adopted a descriptive research design.

3.4 Population of the Study

Population is that entire set of units to be subjected to the study that provides the data used to make inferences in the study (Kothari, 2004). Mugenda & Mugenda (2003) assert that the target population is part of the populace drawn from the entire or universe. The study population comprised of the 65 (Sixty-five) real estate development firms registered in Nairobi by the Kenya Property Developers Association, KPDA as of 13th

September 2019. A census survey was conducted due to the small population size and to ensure that the findings were representative of the population to meet the study objectives. The respondents were the mid-level to top level managers of each firm, making a total of 65 respondents.

3.5 Data Collection

The research information was gathered with the aid of questionnaires. This tool is suitable since it can gain some detailed information on the variables of the exploration. Gathering of data includes the collecting and the systematic categorisation of the data to ensure its accuracy and validity. The study questionnaire obtained quantitative data by use of closed ended questions which were presented on a Likert scale. The ratings were on a scale of 1 (not at all translating to the lowest score) to 5 (very great extent translating to the highest score). Data collection involved self-administered questionnaire or drop and pick and email questionnaires. The mode of administration depended on the availability of the respondent as well as through electronic mails.

The questionnaire had three (3) sections. Section (A) presented the general information of the real estate development firms, (B) sources of competitive advantage (C) firm performance.

3.6 Data Analysis

Sekaran (2006) states that data analysis is the extraction, compilation, and modelling of raw data to obtain usable information that can be used to make decisions by predicting the outcomes a study. The collected data was cleaned, edited for reliability and validity.

Descriptive statistics was adopted in the analysis of the data since the study design was descriptive. Data on the sources of competitive advantage and their effect on firm' performance was analysed using Statistical Package for social sciences (SPSS) software in computing mean scores and standard deviations.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This section presented how results was analyzed, presented, and discussed based on the study variables and the findings as per the data obtained.

4.2 Response Rate

The researcher gave out structured questionnaires to the real estate development firms in Nairobi. The questionnaires were used in the study as instruments of obtaining raw data as indicated in chapter three. 65 questionnaires were sent to the respondents. 48 questionnaires were filled and collected by the researcher which represented a response rate of 74%.

Mugenda (2008) states that a study with a response rate of above 50% is always regarded as good. Therefore, the response rate of 74% was good enough to satisfy the objectives of the study.

4.3 General Information

This segment provided the general information of the 65 (Sixty-five) real estate development organisations in Nairobi. It considered information about the firms in this study depicting the operational years of the firm, the capital deployed, sales turnover and the size of the labour force. 65 questionnaires were distributed where 48 questionnaires were returned representing a 74 % response rate which was sufficient to realize the objectives of the study.

4.3.1 Real Estates Operation Period

The results on Table 4.1 indicated 18.75% of the respondents had been in operation for a period below 5 years, 39.58 % had been in operation for between 5 - 9 years while 41.67% had operated between for more than 10 years.

From the findings, majority of the real estate firms that participated in the study had operated for over five years. Going by the fact that majority have been extensively in operation, naturally the firms would be expected to have identified and understood the areas from which their competitive advantage originates. Considering that the competitive position of a firm manifests by comparing itself with the others in the market over time, a firm needs to accurately identify the sources of its competitive advantage and capitalise on it.

Table 4.1 Length of Operation

Years	Frequency	Percentage	Cumulative percentage
Below 5 years	9	18.75	18.75
5 – 9 years	19	39.58	58.33
Above 10 years	20	41.67	100
Total	48	100.0	

Source: Research Data (2021)

4.3.2 Size of the Real Estate Firm

This segment aimed to determine the firm's capital investment, size of labour force and sales turnover by the real estate development firms in Nairobi. The researcher could not access information on the capital investment and sales turnover from the 48 firms, however, the respondents indicated that their turnover ranged from Ksh. 100 million – 1 billion. Although the staff varied in number, there was 10-50 staff members in most of the real estate firms.

4.4 Sources of Competitive Advantage

The study addresses the sources of competitive advantage that the real estate development firms enjoyed namely cost leadership, differentiation, and focus. Respondents were requested to indicate competitive advantage sources their firms enjoyed based on the 5- point Likert scale with a range of (1) ‘Not at all’ to (5) ‘very great extent’. The score ‘not at all to ‘little extent’ on a Likert scale were taken to represent a concept with a mean score of 1- 2.60. Mean score ranging between 2.61 - 3.40 represents moderate extent while a mean score ranging between 3.41-5.0 represented (great to very great extent) most of the respondents’ position about a dominant source of competitive advantage. The findings are presented in the Table 4.2 below.

Table 4.2: Sources of Competitive Advantage

Sources of competitive advantage	Mean	Std. Deviation
Cost Leadership		
Scale and learning curve Economies.	2.52	0.945
Low-cost access to materials and equipment	3.20	0.889
Competitive market prices	3.86	0.837
Aggregate score	**3.19**	**0.890**
Differentiation		
Favorable corporate reputation	3.81	0.942
Research and development expenditure for		

innovation.	3.60	1.120
The firm offers customized service.	3.57	1.172
Aggregate score	**3.66**	**1.078**
Focus		
The firm targets middle income market segment and seeks cost advantage.	3.71	1.078
The firm targets a niche market.	3.63	1.026
The firm targets the upper income market segment and uses premium pricing approach	2.42	1.117
Aggregate score	**3.25**	**1.074**

Source: Research data, (2021)

The study findings on Table 4.2 revealed that differentiation strategy (M=3.66, SD=1.078) was adopted by real estate development firms to distinguish themselves from the other firms in the market through Favourable corporate reputation (M= 3.81, SD =0,942), Research and development expenditure for innovation (M =3.60, SD =1,120) and provision of customised services (M =3.57, SD =1.172),

Cost leadership strategy is realized when a firm delivers more value to customers at lower prices relative to the other players in the market. It also originates from efficiency in operations the leads to cost reduction hence competitive prices advantage. The researcher sought to establish the extent to which cost leadership strategy was adopted by the real estate development firms as. The table 4.2 indicated that cost leadership realised through economies of scale and access to cheap materials and equipment was found to be adopted moderately as a source of competitive advantage for firms(Mean=3.19, SD=0.891).

Focus strategy was adopted by the firms through targeting the upper- and middle-income segment and identifying and serving niche markets was found to be adopted by the firms at moderate extent (M=3.25, SD=1.074). This was operationalized through the firm targeting middle income market segment and seeking cost advantage (M=3.71, SD= 0,078), targeting a niche market (M= 3.63, SD= 1.026) focusing on the upper income segment and using premium pricing approach (M= 2.42, SD =1.117)

4.5 Influence of Competitive Advantage on the Performance of the Firms

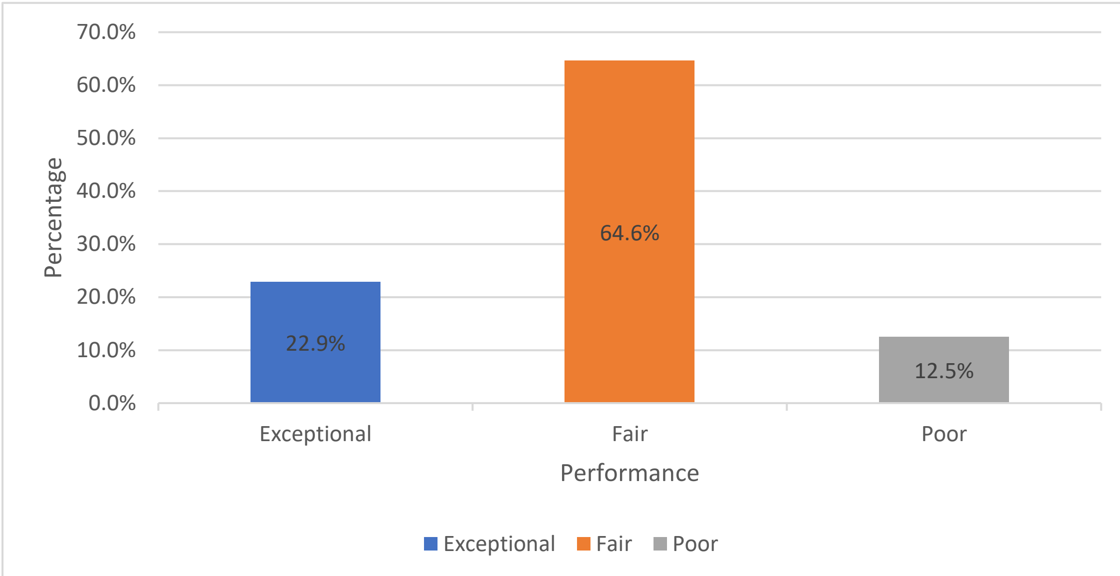
This section sought to answer to second objective of the study which was to establish if competitive advantage enjoyed by the real estate developments firms in the study influenced their performance. The three sources of competitive advantage identified were the three Porters generic strategies: Cost, Differentiation and Focus strategy. The study findings were represented on Table 4.3

The study questions were designed to establish the influence of the various sources of competitive advantage influenced performance of the real estate development firms, based on the dominant performance indicators namely profitability, market share, customer satisfaction and innovations. A Likert 5-point scale Where; 1=Not at all, 2= Little extent, 3=Moderate extent, 4 = Great extent 5= Very great extent was used to present the findings.

4.5.1 Current performance of the firm.

This section of the questionnaire sort to establish the current performance of the firms.

Figure 4. 1: Current performance of the firm



The findings on Figure 4.1 indicates that majority of the firms stated that their performance was exceptional 11 (22.9%), 31 (64.6%) of the firms indicated that their performance was fair while 6 (12.5%) registered poor performance. In summary, 87.5% of the firms registered fair performance and above.

4.5.2 Performance indicators of real estate development firms in Nairobi for the last 3 years

The sources of competitive advantage of a firm can be credited to the various resources accessible to a firm that are not easily imitable by competitors. The researcher, in this section, set out to establish the firm's performance indicators and how these have been influenced by the sources of competitive advantage.

Several indicators presented in table 4.4 can be used to assess the performance of the real estate development firms in Nairobi.

Table 4.3 Organization Performance in The Last 3 Years

Performance indicator	Mean	Std. Dev.
Profitability	3.65	1.133
Market share	3.64	1.087
Customer satisfaction	3.63	0.927
Innovations	2.05	0.896
Aggregate Mean	**3.24**	**1.010**

Source: Research data, (2021)

From the study findings on table 4.4 it was established that profitability, market share and customer satisfaction were excellent with a mean score of (M=3.65; SD=1.133), (M=3.64; SD= 1.087) and (M= 3.63; SD= 0.927) respectively. However, innovations were least with a mean score of (M=2.05; SD = 0.896). The findings indicate that the variables of sources of competitive advantage adopted by real estate developers in this study significantly influenced their performance evidenced by the high mean scores registered on the various key performance indicators attributable to sources of competitive advantage employed by the firms.

4.6 Discussion of the Findings

The study sought to establish the sources of competitive advantage for real estate development firms in Nairobi and their influence on performance. From the findings of the study, it is indicated that that competitive advantage of a firm originates from a set of resources at the disposal of a firm that cannot be easily imitated by competitors. These findings agree with resource-based theory supported by Hunt (2007) who stated that a resource-based advantage is important in an ever-changing competitive environment. All firms therefore need to formulate appropriate strategies that drive competitiveness relative to the competitors.

According to Porter (1980) the development of suitable strategies is a key component in effective business plans. When a firm adopts an effective competitive strategy, it can identify an industry niche as well as a good understanding of its customers. In this study, the sources competitive advantage of the of the real estate development firms investigated included differentiation, cost leadership and focus. It is important to note that the performance of any firm is considered optimal when it chooses a single strategy on which to concentrate. The findings resonate with the Porter (1985) competitive advantage theory that states that an organization is required to develop firm unique strategies that cannot be easily imitated by competitors. According to Potjanajaruwit (2018) competitive advantage directly and positively affects organisational performance because it is the basis for the creation of business approaches to attain sustainable growth, through superior performance driven by three generic approaches; cost leadership, differentiation, plus focus which enhances ability to command dominance in the market.

These research outcomes are related to the principles of the resource-based view theory. According to RBV theory, firm resources include physical, capital, human resource, and management are the key pillars that organizations use to build competitive advantage. Competitive advantage is gained through resources ability among organizations over time. Every firm should have unique and distinctive assets and competencies from that form the basis of its strategy and profitability. In the 21st century environment characterized by aggressive competition organizational performance over time is attributed to distinct inimitable internal resources more than the structural characteristics of an industry which explains the individual competitiveness profile in any market advantage (Nason & Wiklud, 2018).

From the study findings, differentiation was found to be the major competitive advantage builder with the greatest impact among the Real Estate Development companies in Nairobi. This exhibits a high level of consistency with the RBV theory because differentiation was built through favorable corporate reputation, providing sufficient resources for research and development on innovation, and ensuring customized service all which are implemented through an organization's internal resources. All these tenets of the differentiation strategy are resource-based and therefore they corroborate this RBV theory. Further, looking at the empirical review that had been undertaken by the study, it can be justified that differentiation significantly and positively influences the creation of competitive advantage. Al-alak (2014) had focused on endeavouring to achieve competitive edge and performance by way of innovation and market differentiation and customer orientation, and their study findings indicated that customer orientation positively contributed to enhanced performance through driving uniqueness through differentiation. Their findings further indicated that innovation differentiation influences organizational performance more than market differentiation.

Hlavacka et al, (2001) highlighted that resources and skills such as robust marketing competencies, creativity, technology leadership, strong supply chain cooperation, product development, and a reputation for quality products are critical for successful execution of the differentiation strategy. Further, they also established that for the organization's differentiation strategy to be successful, the organization should communicate their differentiation message to their customers, as their opinion of the company is critical. Their study findings are in congruence with the findings of Richard A & Marilyn M (2006) that pointed out that the important action in creating a differentiation strategy is to establish what distinguishes an organization from its rivals in the market. Factors such as quality of goods or service, the size of the firm, corporate reputation, geographical reach and distribution network and marketing approach have been suggested as ways a firm can differentiate itself.

Leronzo et al (2018) had sought to establish the relationships between a company's competitive approach, their capital, and competences plus analysis of their capabilities from technology and management with organizational performance. The findings indicated that differentiated resources capabilities and strategies have a major role in determining competitive advantage, and their correlation and importance differ between each type of company. Njagah (2015) had focused on exploring the influence of competitive approaches on the performance of Express Connections Limited in Kenya. They concluded that service superiority plus client relationships were most effective competitive strategies utilized by the organization. Kaleka and Morgan (2017) also did a study on where competitive advantage is, and service is found to have a strong positive effect. All these empirical studies supplement the consistency that the findings of this study were found to have with prior theories further affirming that the research findings are objective.

The study findings also revealed that cost leadership influenced organizational performance at a moderate extent through scale and learning curve economies, low-cost access to materials and equipment and competitive market prices. The researcher has found that this revelation is consistent with the empirical studies that had been earlier outlined in Chapter Two of the study. Nyambane (2018) researched on the exploration of competitive edge and operational performance of the Kenyan heavy construction equipment suppliers and found that the organizations regarded pricing as the best strategy to drive competitiveness. Buul (2017) also did an inquiry on an analysis of competitive approaches and performance of Kenyan small as well as medium businesses in Nairobi, plus their study established positive and significant influence by cost leadership, differentiation, market focus plus strategic alliance on SME performance. Further, a study seeking to understand how strategic capability affected competitive edge of ICT organizations in Nairobi by Deya (2019) established existence of positive and significant influence on competitive advantage between financial resource capability, knowledge management capability and cost efficiency capability of IT firms. This study exclusively focused on internal competencies and cost focus. The findings of the study support Malburg (2000) who postulated that to attain a low-cost advantage any organization needs to have a low-cost leadership strategy, low-cost production, and personnel that has embraced the low-cost strategy.

Additionally, Atit (2017) evaluated the factors that affect organizational performance of manufacturing organizations in Jordan. The results indicated that a cost-conscious culture, top management dedication and involvement are important for organisational success in cost reduction initiatives. This study focused on cost reduction strategy and the factors leading to cost reduction. Kaleka and Morgan (2017) also did a study on where competitive advantage is and they found that price advantage affects market performance positively and directly.

Focus was found to influence performance to a moderate extent through the firm targeting middle income market segment for cost advantage, the firm targeting a niche market, and the firm targeting the upper income market segment with premium pricing. This strategy is consistent with the open systems theory discussed earlier in this study which determines that a firm's interaction with its external environment is a pre-requisite for an ability to sustain operations and efficiency. The firm cannot be able to employ focus strategies without carefully designing interactions with its environments. The empirical study earlier carried out also corroborates these findings. Soko (2015) conducted a study on the factors making universities gain competitive advantage in Kenya. The study findings indicated as follows; about quality, universities improved quality from five areas: research, staff focus, student focus and governance and planning. Regarding sources of competitive advantage four sources were indicated: strong brand name, research, teaching methodology and learning environment.

The study states that cost leadership, learning curve economies, access to low-cost materials and enjoying competitive market materials offer real-estate firms a competitive advantage over other entities in the market. Such features stand out as valuable resources for such firms to take over the dynamic market with minimal competition. With the

Resource-based value theory, companies that capitalize on the above features and make them unique to the companies only stand a chance of taking over the real estate market on a long-term basis.

The inquiry's outcomes also detail that focus offers real-estate firms a competitive advantage in the market. Tailoring focus to the middle-income market, a given niche, and the upper-income market helps markets enjoy premium pricing. The competitive advantage theory best explains the tailored focus theory. The theory stipulates that companies should set policies that aid in producing high-quality goods and services that, in turn, single them out in the market. Therefore, real estate firms should narrow their focus to a specific niche or income segment to capture the market section and fetch high prices in the market. Tailoring focus accords them a competitive advantage and allows them to excel in performance to their targeted audience.

The study also points out for companies to achieve focus, there is a need to understand how such firms interact with other companies within the market. Such interaction happens in systems responsible for such associations. Such systems create the market environment. The open systems theory stipulates that other firms within the market impact their operations by exerting economic, physical, and social pressures. Therefore, companies need to understand how other firms within the same market affect their operations to achieve the best focus strategies. Understanding the system that creates the connection will tailor focus strategies to offer them a competitive advantage and improve performance in the market.

Cetinkayaet al (2020) states that when an organization makes higher profit relative to competitors, then it has market competitiveness. It is apparent that competitive advantage occurs when an organisation delivers customers more value than competitors or offers lower prices for the same value (Mayende et al., 2020), resulting to superior performance in terms of higher profits, market share or increased returns Kang & Kue Na (2020).However more investments on innovations should be encouraged in the future so as to improve on their performance even further based on creative products and services that offers optimal satisfaction to customers in the real estate industry.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of research, conclusion as well as recommendations. It also highlighted the considerations for additional studies as well as study limitations.

5.2 Summary

This study established the sources of competitive advantage and the role of competitive advantage on the performance of real estate development organizations in Nairobi. The study considered cost leadership, differentiation, focus and organizational performance as the major concepts of the study. Because most of the firms had long periods of operation most of them must have identified their sources of competitive advantage in their operations. Competitive advantage is defined as the degree to which a firm can insulate itself from the forces of its competitors and hence defend its market position. It constitutes the capabilities that enables a firm to differentiate itself from its competitors. The study found out that the real estate development firms realised competitive advantage through provision of customized services that are differentiated, cost leadership strategy, and focus strategy.

From the study findings, it was established that the real estate development firms utilised resource-based strategy to achieve competitive advantage which originated from unique resources and capabilities that cannot be easily imitated which facilitates the realization of competitive advantage, greater efficiency hence lower costs, better quality and subsequently greater market share resulting from the resources that are not easily imitable by competitors.

Differentiation strategy through favourable corporate reputation, investment in research and development for innovation, and offering customized service significantly contributed to the firm's competitive advantage. To achieve differentiation, firms need to leverage on its unique inimitable resources at their disposal as well as low-cost strategy that delivers more value to customers at low costs. The focus strategy involves the identification and targeting of defined exclusive market through development of tailored marketing programmes that focus on such identified segments.

These findings concur with the available literature. According to Potjanajaruwit (2018) competitive advantage directly and positively influences organisational performance as it is the basis for the creation of business approaches to attain sustainable growth, through superior performance driven by cost leadership, differentiation, and focus which enhances ability to command dominance in the market. Further, according Hoque (2014) differentiation significantly yields competitive advantage from customers' derived value from products they buy, which keeps away competition. This means the cost of fighting aggressive competition is reduced resulting to higher profit margins and higher returns.

The level of competitive advantage available to different firms differs depending on the level of adoption of the strategies every firm uses. Accordingly, it was found the formulation and faithful implementation of various strategies positively influenced real estate development firms' performance.

5.3 Conclusion

The development of suitable competitive advantage means an ability by an organization to deliver more value to customers compared to competitors. A firm's planned strategy is the genesis of Competitive advantage. Other factors including industry factors, resources and capabilities are also important in attaining competitive advantage. All these factors hence result to a creation of sustainable competitive advantage.

Owing to the existence of various aspects that contribute to competitive advantage of firms, it is critical to pinpoint the specific sources of competitive advantage, internal resources and capabilities to create synergy between the firm and its respective industry. The study further concludes that firms should identify and develop an appropriate strategy to realize competitiveness cognisant of the varying aspects of competitive advantage for firms operating in the same industry may differ due to the market segments they target. An organizations' ability to create a suitable competitive advantage results from the value a firm offers customers that surpasses associated cost of creating the value. In this situation, value refers to affordances and distinctive benefits that consumers are ready and willing to pay for. The aggregate factors significantly influence the performance of the real estate development firms in Nairobi.

5.4 Recommendations from the Study

5.4.1 Recommendations for Practice

Differentiation is a strategy seeks to help a company offer products or services offered by competitors, apart from only low price offers. The study recommends that the real estate development firms should invest more in the differentiation strategy to create new and unique products that offer greater value to the different clientele. Cost leadership strategy should also be entrenched in the firms through robust cost reduction initiatives to offer the firms cost advantage in the price sensitive market like Kenya. This will enable these firms as to maintain their market share as well as winning new customers through competitive price offers. More importantly, we are in a new dispensation known as new normal triggered by the onset of the COVID 19 Global Pandemic that has caused disruptions in the real estate industry therefore the players in this industry are encouraged to adapt to new technology (innovations) in business transactions with their customers. The study recommends that real estate development firms in Nairobi County should leverage on the new technological innovations in the industry to remain relevant in business.

5.4.2 Recommendations for Theory

The study findings are in harmony with the RBV and the open systems theories. The RBV concept is applicable in deriving competitive advantage for a firm that relies on the use of rare, inimitable valuable resources available to the firm. The open systems theory asserts that for a firm to be successful, it must continuously interact and adapt to the dynamic external environment. The research recommends that scholars advance research on the direct link between competitive advantage and the multidimensional performance of firms in other sectors.

5.4.3 Recommendations for Managerial Policy

The real estate developers are investors. They are risk takers and are interested in realising reasonable returns on their investments with reasonable pay back times. The decision-makers in the respective real estate development firms in this highly competitive industry should utilize the findings of this study as a reference point when formulating competitive strategies geared towards driving their sustainable competitive position and survival consistent with the current competitive, social (for instance Covid-19 effects) and economic trends as they leverage new technological innovations.

5.5 Limitations of the Study

The participants in this study were not readily willing to be involved in the study since they operate under tight schedules. This was a challenge to the researcher and as such, causing delays in filling the questionnaires. The researcher made numerous reminder calls and visits to the respondents and in some instances to assist them in filling in the questionnaires which caused delays in the data collection.

Due to COVID-19 protocols issued by the government it was very challenging to receive feedback from the respondents. The researcher resulted to communication through correspondence with some respondents thus causing more delays given that some of them took too long to give feedback as required Furthermore, some of the respondents feared to be identified to participate in the study and as such developed fear of unknown. Some of them thought that the information was sought by their competitors in the industry thus being reluctant to participate in the exploration.

5.6 Suggestions for Further Study

Kenya as a nation has devolved system of government and as such there are different players in the real estate industry involving other counties other than Nairobi County. It is therefore important that upcoming scholars replicate the current study topic to other counties in the country. This will help enrich the current literature on the broad aspect of competitive strategies and how it helps in the growth of the country's GDP.

Moreover, the world is now adapting to the new normal due to COVID I9 Pandemic and as such there is need for new innovations to be developed to help sustain the real estate industry in this changing environment. Future researchers should carry out studies on new technological innovations in the real estate industry that will help promote the sustainability of the industry as well as improving the quality of life of people across the world.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-8095398
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsities
Our Ref: D61/7389/2017

Tel: 020 8095398
Nairobi, Kenya

Date: 20th November, 2020

TO WHOM IT MAY CONCERN

The bearer of this letter, **John Githiri Mung'uri** of Registration Number **D61/7389/2017** is a Master of Business Administration (MBA) student of the University of Nairobi.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on **Competitive advantage and performance of real estate development firms in Nairobi.** We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

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

Thank you.

PHILIP NGIGI

FOR: DEAN, SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
20 NOV 2020
P.O. Box 30197 – 00100, NAIROBI

APPENDIX II: QUESTIONNAIRE

Instructions: Kindly fill all the questions by either ticking in the (brackets) or writing in the provided spaces

SECTION A: GENERAL INFORMATION OF THE REAL ESTATE DEVELOPMENT FIRMS.

1. Name of the Firm…………………………………………………………..
2. For how long has the firm been in operation?

   Less than 5 years [ ] 5- 9 [ ] more than 10 years [ ]

3. Size of the real estate development firm based on.

   Capital investment ……………………………...

   Size of labour force ……………………………………………………………………

   Sales turnover …………………………………………………………………………

SECTION B: SOURCES OF COMPETITIVE ADVANTAGE

4. Please indicate by ticking appropriately the extent to which the following act as sources of competitive advantage for your firm.

   Use a Likert 5-point scale.

Where; 1=Not at all, 2=Little extent, 3=Moderate extent, 4 = Great extent 5= Very great extent:

Strategy	**1=Not at all**	**2=Little extent**	**3=Moderate extent**	**4 = Great extent**	**5= Very great extent:**
Cost leadership					
Economies of scale benefits					
Access to low-cost materials and equipment					
Competitive market prices					
Differentiation Favourable corporate reputation					
Investment in research for innovation.					
Provision of customised services					
Focus Targeting the middle-income market segment and					

seeking cost advantage.					
Targeting the upper income market segment and using premium pricing approach.					

SECTION C: FIRM PERFORMANCE

5. How would you rate the performance of your firm in the market?

   Exceptional [ ] Fair [ ] Poor [ ]

6. From the various sources of competitive advantage to what extent does your firm perform well in each of the following areas?

   Use the 5-point Likert scale.

   Where; 1=Not at all, 2= Little extent, 3=Moderate extent, 4= Great extent 5= Very great extent: Tick in the appropriate column

Performance indicator	**Not at all = 1**	**Little extent=2**	**Moderate extent=3**	**Great extent=4**	**Very great extent=5**
Profitability					
Market share					
Customer Satisfaction					
Innovations					

7. In terms of percentage, how would you rate your firm's performance in each of the following performance indicators for the last 3 years based on the given sources of competitive advantage?

Performance Indicators	**Percentage**
Profitability	
Market share	
Customer satisfaction	
Innovations	

Thank you for your time.

APPENDIX III: REAL ESTATE DEVELOPMENT FIRMS IN NAIROBI

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1. Acorn Management Services Ltd.
2. AdwaaAlkhalil Development Company Ltd.
3. African Developers Groups for Construction and Investments
4. AHCOF Investments (Kenya) Ltd.
5. Amazon Projects Ltd.
6. Amboseli Court Ltd.
7. AMS Properties Ltd.
8. Bahati Ridge Development Ltd.
9. Blueline Properties Ltd.
10. Camelot Consultants Ltd.
11. Century City Property Ltd.
12. Cheriez Properties Ltd.
13. Chigwell Holdings Ltd.
14. Citi Estate Investments Ltd.
15. Cytonn Real Estate
16. Coral Property International Ltd
17. Daykio Plantations Ltd.
18. Dewbury Ltd.
19. Dunhill Consulting Ltd.
20. Elegant Properties Ltd.
21. Elm Ridge Ltd.
22. Endless Africa Ltd.
23. Enkavilla Properties Ltd.
24. Fairdeal Development & Infrastructure Ltd.
25. Fedha (Management) Ltd.
26. Golden Compass Ltd.
27. Heri Homes Properties Ltd.
28. HF Development and Investments Ltd.
29. Home Afrika Ltd.
30. iJenga Ventures Ltd.
31. Immensity Holdings Ltd.

32. INFPAC Ltd.
33. Jabez Properties
34. Kamhomes Investments Ltd.
35. Karibu Homes
36. Karume Holdings Ltd.
37. Kings Developers Ltd.
38. Kzanaka Ltd.
39. Laser Property Services Ltd.
40. Leo Capital Holdings Ltd.
41. Lordship Africa
42. Manrik Holdings Ltd.
43. Meera Construction Ltd.
44. Mlima Construction Company Ltd.
45. MML Turner & Townsend
46. Mugumo Developments Ltd.
47. Natureville Homes
48. Norcent Projects Ltd.
49. Oakpark Properties Ltd.
50. Optiven Ltd.
51. PDM (Kenya) Ltd.
52. Pioneer Holdings (Africa) Ltd.
53. Prissy Apartments Ltd
54. Realux Holdings Ltd
55. Rozana Properties Ltd
56. Sayani Investments Ltd
57. Sherry Blue Properties Ltd
58. Shreeji Development Ltd
59. SigimoEntreprises Ltd
60. VAAL Real Estate
61. The GoDown Arts Centre
62. Tilisi Developments Ltd.
63. Unity Homes Ltd.
64. Two Rivers Development Ltd.
65. Tatu City Ltd.